

Message from the Secretary of the Treasury

Dear Member:

The Fiscal Year (FY) 2017 President's Budget requests \$13.3 billion for Treasury's operating bureaus and \$2.3 billion for our International Programs. The proposal identifies investments to fairly collect revenue—including a program integrity cap adjustment yielding a net increase of \$46 billion over the next ten years—and investments that fight terrorism, improve cybersecurity, and continue strengthening our nation's long-term economic and fiscal position.

The request makes strategic investments in the Internal Revenue Service (IRS) to improve service to tens of millions of taxpayers and reduce the deficit through more effective tax administration. The IRS collects more than 90 percent of federal revenue and interacts with virtually every American. We recognize the increased funding for the IRS in FY 2016 and hope it reflects a step back towards providing the resources needed to fulfil its critical mission. Despite the increase, the IRS remains severely underfunded; its current operating budget is \$911 million lower than it was in FY 2010. These reductions are costing billions of dollars each year in lost enforcement revenue, yielding poor customer service for taxpayers and resulting in insufficient investment in the cybersecurity programs necessary to protect taxpayer data from illicit access. The FY 2017 request begins to restore these funds and allow the IRS to rebuild the quality service that American taxpayers deserve.

Treasury's request also includes funding to combat the Islamic State of Iraq and the Levant (ISIL), as well as other international threats, by bolstering our economic sanctions regimes, and leveraging intelligence collection and international partnerships. It includes a new centralized cybersecurity fund to invest in improved protection for Treasury systems that house taxpayer, financial sector and other business, and government data. The request also invests in the Community Development Financial Institutions Fund to promote economic development in low-income and underserved communities.

Treasury's International Programs request funds general capital increases and replenishments in multilateral development banks and continues making progress on reducing our unpaid commitments, a top Administration priority. The request also invests in the Office of Technical Assistance (OTA) as the first step towards meeting the Administration's commitment to double OTA resources by 2020 and provides investments in the Green Climate Fund to support the transition of developing countries to a low-emission and climate resilient development path.

The FY 2017 Congressional Budget Justification includes the information required for the Annual Performance Report. I have validated the accuracy, completeness and reliability of the performance data in this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew", with a stylized, flowing script.

Jacob J. Lew

Mission Statement

Maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad; strengthen national security by combating threats and protecting the integrity of the financial system; and manage the U.S. government's finances and resources effectively.

Executive Summary

FY 2017 President's Budget by Function

Dollars in Thousands

	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	FY 2016 to FY 2017	
				Increase/ Decrease	Percent Change
Management & Financial	\$1,343,704	\$1,404,653	\$1,520,463	\$115,810	8.2%
Departmental Offices Salaries and Expenses	\$210,000	\$222,500	\$217,376	(\$5,124)	-2.3%
Terrorism and Financial Intelligence (TFI)	\$112,500	\$117,000	\$117,000	\$0	0.0%
Departmental Offices Salaries and Expenses	\$322,500	\$339,500	\$334,376	(\$5,124)	-1.5%
Cybersecurity Enhancement	\$0	\$0	\$109,827	\$109,827	100.0%
Department-wide Systems and Capital Investments Program	\$2,725	\$5,000	\$5,000	\$0	0.0%
Office of Inspector General	\$35,351	\$35,416	\$37,044	\$1,628	4.6%
Treasury IG for Tax Administration	\$158,210	\$167,275	\$169,634	\$2,359	1.4%
Special Inspector General for TARP	\$34,234	\$40,671	\$41,160	\$489	1.2%
Community Development Financial Institutions Fund	\$230,500	\$233,523	\$245,923	\$12,400	5.3%
Financial Crimes Enforcement Network	\$112,000	\$112,979	\$115,003	\$2,024	1.8%
Alcohol and Tobacco Tax and Trade Bureau	\$100,000	\$106,439	\$111,439	\$5,000	4.7%
<i>Program Cap Adjustment Included in IRS</i>	<i>\$0</i>	<i>\$0</i>	<i>(\$5,000)</i>	<i>(\$5,000)</i>	<i>NA</i>
Net, Alcohol and Tobacco Tax and Trade	\$100,000	\$106,439	\$106,439	\$0	0.0%
Bureau of the Fiscal Service	\$348,184	\$363,850	\$353,057	(\$10,793)	-3.0%
Treasury Franchise Fund	\$0	\$0	\$3,000	\$3,000	100.0%
Tax Administration	\$10,945,000	\$11,235,000	\$12,280,095	\$1,045,095	9.3%
IRS Taxpayer Services	\$2,156,554	\$2,156,554	\$2,406,318	\$249,764	11.6%
IRS Enforcement	\$4,860,000	\$4,860,000	\$5,216,263	\$356,263	7.3%
IRS Operations Support	\$3,638,446	\$3,638,446	\$4,314,099	\$675,653	18.6%
IRS Business Systems Modernization	\$290,000	\$290,000	\$343,415	\$53,415	18.4%
IRS Administrative Provisions ²	\$0	\$290,000	\$0	(\$290,000)	-100.0%
<i>Less, IRS Cap Adjustment</i>	<i>\$0</i>	<i>\$0</i>	<i>\$514,748</i>	<i>\$514,748</i>	<i>NA</i>
IRS Total, Excluding Cap Adjustment	\$10,945,000	\$11,235,000	\$11,765,347	\$530,347	4.7%
Subtotal, Treasury Appropriations Committee excluding Cap Adjustment and TEOAF	\$12,288,704	\$12,639,653	\$13,285,810	\$646,157	5.1%
Treasury Forfeiture Fund	(\$944,000)	(\$876,000)	(\$657,000)	\$219,000	25.0%
Subtotal, Treasury Appropriations Committee including TEOAF	\$11,344,704	\$11,763,653	\$12,628,810	\$865,157	7.4%
Cap Adjustment	\$0	\$0	\$514,748	\$514,748	N/A
Total, Treasury Appropriations Committee including Cap Adjustment and TEOAF	\$11,344,704	\$11,763,653	\$13,143,558	\$1,379,905	11.7%
Treasury International Programs	\$2,454,304	\$2,313,470	\$2,318,521	\$5,051	0.2%
Economic Growth, National Security and Poverty Reduction (Multilateral Development Banks)	\$1,999,804	\$1,816,477	\$1,802,958	(\$13,519)	-0.7%
Food Security	\$30,000	\$74,930	\$53,000	(\$21,930)	-29.3%
Environmental Trust Funds	\$401,000	\$398,563	\$409,063	\$10,500	2.6%
Global Infrastructure Facility	\$0	\$0	\$20,000	\$20,000	100.0%
Office of Technical Assistance (OTA)	\$23,500	\$23,500	\$33,500	\$10,000	42.6%
International Monetary Fund ¹	\$0	\$0	\$0	\$0	NA
Total, Treasury Appropriations	\$13,799,008	\$14,077,123	\$15,462,079	\$1,384,956	9.8%

1/ Allocated as follows: \$176.8 million Taxpayer Services, \$4.9 million Enforcement, and \$108.2 million Operations Support.

2/ The Consolidated Appropriations Act, 2016 includes IMF quota reform. The reforms will not be funded through Treasury's 150s Account, but rather through emergency funding.

Funding Highlights

The President's Fiscal Year (FY) 2017 Budget provides \$13.3 billion for Treasury's operating accounts and \$2.3 billion for Treasury's international assistance programs in discretionary funding. This includes:

- Helping developing nations reduce carbon pollution, strengthen climate resilience, and pursue smart and sustainable long-term economic growth through a \$250 million contribution to the Green Climate Fund as part of a combined Treasury Department and State Department investment of \$750 million.
- Investing \$11.8 billion in base discretionary resources for the Internal Revenue Service (IRS), an increase of \$530 million (4.7 percent) from FY 2016, to fairly enforce the tax code and improve taxpayer services, including by developing and enhancing online tools for taxpayers.
- Enhancing existing security systems on its internal Department networks and public websites, and supporting public-private cybersecurity coordination with a new \$110 million Department-wide Cybersecurity Enhancement Account.
- Funding the Office of Terrorism and Financial Intelligence with \$117 million to curb terrorist financing, including ISIL financing, and to implement sanctions targeting Iran, North Korea, Syria, and more, as well as \$115 million for the Financial Crimes Enforcement Network.
- Promoting economic development in low-income and underserved communities through a \$12 million increase (5.3 percent) from FY 2016 for the Community Development Financial Institutions Fund for a total of \$246 million.

Reforms

- The Budget proposes a multi-year program integrity cap adjustment for tax enforcement activities, including \$515 million in FY 2017 to reduce the deficit and narrow the tax gap, yielding net taxpayer savings of \$46 billion over the next 10 years.
- It also proposes legislation authorizing and funding new programs to facilitate private investment to renew our Nation's infrastructure, invest in small business job creation, and partner with private industry and local governments to promote stable income and sustainable savings practices for working families.

Treasury's mission is to maintain a strong economy and create economic and job opportunities by promoting conditions that enable growth and stability at home and abroad; strengthen national security by combating threats and protecting the integrity of the financial system; and manage the federal government's finances. To support this mission, the FY 2017 President's Budget requests \$13.3 billion in discretionary appropriations for Treasury's operating accounts. The Budget also proposes a multi-year program integrity cap adjustment, including \$515 million in FY 2017, for critical IRS tax enforcement

and compliance functions estimated to reduce the deficit by \$46 billion over the 10-year budget window. In addition, the Budget proposes \$2.3 billion for Treasury's International Assistance programs to promote our national security, open new markets for U.S. exporters, drive progress on sustainable development, and address key global challenges such as food security and the environment.

Encouraging International Economic Growth and Stability

The Treasury Department's \$2.3 billion FY 2017 International Assistance programs budget offers a cost effective way to provide U.S. leadership in international development, advance national security, and expand export markets for American businesses by promoting international financial stability and supporting key global initiatives such as reducing poverty, improving food security, investing in infrastructure, and addressing climate change. The Budget fully funds annual payments to the multilateral development banks to maintain U.S. shareholding positions and to provide a source of low-cost loans and grants for the world's poorest countries. Additionally, the Budget includes \$20 million for the World Bank Global Infrastructure Facility, a fund that will catalyze private investment in public infrastructure projects. The Budget also includes a significant increase for Treasury's Office of Technical Assistance (OTA), as the first step toward meeting the Administration's commitment at the Financing for Development conference in July 2015 to double OTA resources by 2020 as part of the U.S. effort to significantly increase funding for domestic resource mobilization.

The Budget includes \$250 million toward the U.S. pledge to the Green Climate Fund, providing a total of \$750 million when combined with \$500 million provided through the Department of State. The request will support climate finance for developing nations, especially the poorest and most vulnerable, as they strengthen climate resilience, invest in clean energy, and implement their commitments to reduce carbon pollution on a pathway towards sustainable economic growth and development. The Budget also includes

\$137 million for the annual replenishment commitment to the Global Environment Facility (GEF) and \$13 million to help Central American countries plus the Dominican Republic purchase catastrophe risk insurance and enhance disaster risk management capacity through the CCRIF Segregated Portfolio Company (formerly known as the Caribbean Catastrophe Risk Insurance Facility).

In addition Budget includes \$53 million for investments to support food security. By harnessing the power of public-private partnerships and encouraging innovative financing mechanisms, donors have committed to funding agricultural investment plans to improve nutritional outcomes in poor countries, with the goal of eliminating world hunger.

Fairly Enforcing the Tax Code

In FY 2016, IRS funding remains \$911 million lower than its FY 2010 level despite an increasing workload resulting in part from new legislative mandates. The FY 2017 Budget provides the IRS with \$11.8 billion in base discretionary resources, an increase of \$530 million (4.7 percent) from FY 2016, restoring the resource levels necessary to maintain the integrity of the tax system, fairly enforce the tax code, and provide adequate levels of taxpayer services. With these investments, the IRS will increase staffing for traditional taxpayer services, bolster defenses against stolen identify refund fraud, and provide assistance to taxpayers who call the IRS for assistance. In addition, the Budget invests in new IT architecture that will enable the IRS to modernize and secure its online services and provides taxpayers with an experience comparable to what they have come to expect from financial institutions.

Additionally, the Budget includes a \$515 million FY 2017 cap adjustment to support program integrity efforts aimed at restoring enforcement of current tax laws to acceptable levels, investigating transnational organized crime, pursuing abusive tax schemes, and enforcing the new Foreign Account Tax Compliance Act (FATCA). The targeted investments funded from the cap adjustment in FY 2017 are expected to generate nearly \$3 billion in annual revenue once fully operationalized in FY 2019, returning roughly \$6 to the government for every dollar invested for these initiatives.

Improving the Cybersecurity of Treasury's Networks and Data

The Budget proposes a new \$110 million Department-wide Cybersecurity Enhancement Account to more strategically focus Treasury's cybersecurity efforts and avoid fragmentation of IT management across bureaus that leads to cost inefficiencies and limits Treasury's ability to nimbly respond in the event of a cyberattack. The IRS is currently partnering with the U.S. Digital Service to bolster electronic authentication procedures for access to all IRS digital services, and in FY 2017 Treasury will expand on this effort by deploying a new Digital Infrastructure Security Team to enhance existing security systems on its internal networks and public websites, thereby safeguarding the data on those systems department-wide.

Combating ISIL and Other International Threats

Treasury's Office of Terrorism and Financial Intelligence (TFI) is responsible for leading the policy, enforcement, regulatory, and intelligence functions of Treasury aimed at identifying and disrupting financial support to international terrorist organizations, proliferators of weapons of mass destruction, narcotics traffickers, and

other illicit actors. This includes efforts to cut off ISIL from the international financial system and to combat the threats we face from Iran and North Korea, among others. The Budget invests \$117 million to support TFI in the Treasury's efforts to combat money laundering and terrorist financing, implement sanctions programs, and manage Treasury's intelligence and other functions in support of U.S. national security policies and interests and law enforcement.

The Budget also provides \$115 million for the Financial Crimes Enforcement Network (FinCEN) to support Treasury's efforts to safeguard the financial system from illicit use, combat money laundering, and promote national security. FinCEN's data analytics and unique authorities under the Bank Secrecy Act are important tools in the U.S. effort to combat ISIL and other threats to national security.

Empowering Community Development and Economic Growth

The Budget includes \$246 million for the Community Development Financial Institutions (CDFI) Fund, a \$12 million increase (5.3 percent) from FY 2016, to promote economic development investments in low-income and underserved communities. The request provides funding for the CDFI Program, the Healthy Food Financing Initiative, the Native American CDFI Assistance Program, and the Bank Enterprise Award Program.

The 2017 Budget also provides funding for a new CDFI small dollar loan program to support broader access to safe and affordable financial products and provide an alternative to predatory lending.

The Budget also extends the CDFI Bond Guarantee program through FY 2017, providing up to \$1 billion of long-term capital to CDFIs that support lending in

underserved communities. The CDFI Bond Guarantee program will continue to operate with no taxpayer funded subsidy.

New Mandatory Programs

The Budget includes a series of mandatory proposals to facilitate private investment to renew our Nation's infrastructure, invest in small business job creation, and partner with private industry and local governments to promote stable income and sustainable savings practices for working families.

Allotment for Puerto Rico EITC Payments

The Budget proposes a \$600 million annual allotment, indexed to inflation, to create a refundable locally-administered Earned Income Tax Credit (EITC) for residents of Puerto Rico. Unlike Americans living in the 50 states and the District of Columbia, residents of Puerto Rico are not eligible for an EITC. Given Puerto Rico's low labor force participation rate, the existence of an EITC should increase employment in Puerto Rico's formal sector by providing higher incomes to workers who file taxes. This added incentive for participation in Puerto Rico's formal economy should also increase Puerto Rico's tax compliance and tax revenues.

Investing in Infrastructure

The Budget establishes a new Financing America's Infrastructure Renewal (FAIR) program within Treasury that would provide direct loans to U.S. infrastructure projects developed through public-private partnerships. Eligible projects under the program will encompass the transportation, water, energy, and broadband sectors, as well as certain social infrastructure, such as educational facilities, and must meet all applicable environmental and labor standards. The program is estimated to provide \$15 billion in direct loans over 10 years at no cost to taxpayers.

Supporting Small Businesses

The Budget includes a new authorization of \$1.5 billion for the State Small Business Credit Initiative (SSBCI) to build on the momentum of the program by strengthening the federal government's relationships with state economic development agencies, and providing capital to America's diverse community of entrepreneurs. Since it was first enacted in 2010, SSBCI has supported over 12,400 private sector loans or investments in small businesses, and helped create or retain over 140,000 jobs as reported by recipient small businesses. The additional \$1.5 billion would be awarded in two allocations: \$1 billion awarded on a competitive basis to states best able to target local market needs, promote inclusion, attract private capital for start-up and scale-up businesses, strengthen regional entrepreneurial ecosystems, and evaluate results; and \$500 million awarded by a formula based on economic factors such as job losses and the pace of economic recovery.

Encouraging Projects that Pay for Success

The Budget includes a \$300 million one-time mandatory appropriation for a new Pay for Success (PFS) program administered by Treasury. This program will support the growing number of state and local governments seeking to establish projects that use PFS financing. These projects leverage private investment to provide preventive social services that measurably improve outcomes for families and communities while generating value to the government, including savings. The PFS Incentive Fund will help to strengthen the ability of state and local governments to achieve measurable impact for people and communities. In addition, by providing centralized support and expertise for PFS at Treasury, the Incentive Fund will encourage

the evolution of this nascent field into a more robust and sustainable public and private market.

Financial Innovation for Working Families Fund

The Budget includes a \$100 million mandatory fund for Treasury to encourage the development of innovative private-sector financial products and services that would help low- to moderate-income workers build up “rainy day” reserves. The reserves would provide these workers and their families with a buffer against shocks to income and spending needs.

FY 2017 President's Budget by Strategic Goal

Dollars in Thousands

Treasury Goal/Objective	Promote domestic economic growth and stability while continuing reforms of the financial system		Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth		Fairly and effectively reform and modernize federal financial management, accounting, and tax systems		Safeguard the financial system and use financial measures to counter national security threats		Create a 21st-century approach to government by improving efficiency, effectiveness and customer interaction		Total	
	Direct \$	Reimb. \$	Direct \$	Reimb. \$	Direct \$	Reimb. \$	Direct \$	Reimb. \$	Direct \$	Reimb. \$	Direct \$	Reimb. \$
Management & Financial	\$ 492,016	\$ 27,676	\$ 86,277	\$ 20,667	\$ 619,258	\$ 279,461	\$ 254,171	\$ 57,449	\$ 68,741	\$ 6,537	\$ 1,520,463	\$ 391,790
Departmental Offices Salaries and Expenses	68,530	14,878	86,277	20,667	46,347	13,561	115,573	47,249	17,649	6,537	334,376	102,882
Cybersecurity Enhancement					62,084		1,651		46,092		109,827	-
Department-wide Systems and Capital Investments Program									5,000		5,000	-
Office of Inspector General					15,100	1,800	21,944	8,700			37,044	10,500
Treasury Inspector General for Tax Administration	41,160				169,634	1,500					169,634	1,500
Special Inspector General for TARP	245,923										41,160	-
Community Development Financial Institutions Fund											245,923	-
Financial Crimes Enforcement Network							115,003	1,500			115,003	1,500
Alcohol and Tobacco Tax and Trade Bureau	52,879	3,318			53,560	3,594					106,439	6,912
Bureau of the Fiscal Service	83,524	9,480			269,533	259,006					353,057	268,486
Treasury Franchise Fund					3,000						3,000	-
Tax Administration	\$ -	\$ -	\$ -	\$ -	\$ 12,280,095	\$ 140,686	\$ -	\$ -	\$ -	\$ -	\$ 12,280,095	\$ 140,686
IRS Taxpayer Services					2,406,318	36,465					2,406,318	36,465
IRS Enforcement					5,216,263	47,222					5,216,263	47,222
IRS Operations Support					4,314,099	56,999					4,314,099	56,999
Business Systems Modernization					343,415						343,415	-
Total, Treasury Appropriations Committee	\$ 492,016	\$ 27,676	\$ 86,277	\$ 20,667	\$ 12,899,353	\$ 420,147	\$ 254,171	\$ 57,449	\$ 68,741	\$ 6,537	\$ 13,800,558	\$ 532,476
Treasury International Programs			2,318,521								2,318,521	-
Total, Appropriated Level	\$ 492,016	\$ 27,676	\$ 2,404,798	\$ 20,667	\$ 12,899,353	\$ 420,147	\$ 254,171	\$ 57,449	\$ 68,741	\$ 6,537	\$ 16,119,079	\$ 532,476
Non-Appropriated Bureaus	\$ 147,162	\$ 5,059,334	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ 21,963	\$ -	\$ -	\$ 150,162	\$ 5,081,297
Office of Financial Stability (Administrative Account)	127,430										127,430	-
Small Business Lending Fund Program (Administrative)	13,405										13,405	-
State Small Business Credit Initiative (Administrative)	6,327										6,327	-
Terrorism Risk Insurance (Administrative)							3,000				3,000	-
Financial Stability Oversight Council		18,019									-	18,019
Office of Financial Research		104,770									-	104,770
Bureau of Engraving and Printing		846,335									-	846,335
United States Mint		2,956,207									-	2,956,207
Office of the Comptroller of the Currency		1,134,003						21,963			-	1,155,966
Subtotal, Direct \$	\$ 639,178	\$ 5,087,010	\$ 2,404,798	\$ 20,667	\$ 12,899,353	\$ 420,147	\$ 257,171	\$ 79,412	\$ 68,741	\$ 6,537	\$ 16,269,241	\$ 5,613,773
Subtotal, Reimbursable \$							\$ 336,583		\$ 75,278		\$ 21,883,014	
Total, Treasury Level	\$ 5,726,188		\$ 2,425,465		\$ 13,319,500							

1/ Total does not include the proposed \$657 million Forfeiture Fund permanent cancellation.

Fiscal Year Comparison of Full-Time Equivalent (FTE) Staffing (Direct and Reimbursable)

Dollars in Thousands

Appropriation	2015 Actual			2016 Enacted			2017 President's Budget		
	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
Departmental Offices Salaries and Expenses	771	197	968	872	197	1,069	1,290	166	1,456
Terrorism and Financial Intelligence	356	29	385	377	29	406	0	0	0
Cybersecurity Enhancement	0	0	0	0	0	0	86	0	86
Office of Inspector General	151	10	161	194	19	213	194	19	213
Treasury Inspector General for Tax Administration	756	2	758	859	2	861	859	2	861
Special Inspector General for TARP	150	0	150	192	0	192	192	0	192
Community Development Financial Institutions Fund	75	0	75	79	0	79	87	0	87
Financial Crimes Enforcement Network	275	1	276	343	1	344	343	1	344
Alcohol and Tobacco Tax and Trade Bureau	456	10	466	494	10	504	529	10	539
Bureau of the Fiscal Service	1,753	243	1,996	2,042	245	2,287	1,912	240	2,152
Internal Revenue Service	80,180	612	80,792	82,462	643	83,105	86,347	675	87,022
Subtotal, Treasury Appropriated Level	84,923	1,104	86,027	87,914	1,146	89,060	91,839	1,113	92,952
Office of Financial Stability (Administrative Account)	74	0	74	72	0	72	64	0	64
Small Business Lending Fund Program	14	0	14	19	0	19	19	0	19
State Small Business Credit Initiative	9	0	9	9	0	9	17	0	17
Office of Financial Research	194	0	194	230	0	230	255	0	255
Financial Stability Oversight Council	22	0	22	34	0	34	36	0	36
Treasury Franchise Fund	0	1,545	1,545	0	1,785	1,785	0	1,888	1,888
Bureau of Engraving and Printing	0	1,800	1,800	0	1,924	1,924	0	1,924	1,924
United States Mint	0	1,651	1,651	0	1,874	1,874	0	1,874	1,874
Office of the Comptroller of the Currency	0	3,805	3,805	0	3,955	3,955	0	3,955	3,955
Pay for Success	0	0	0	0	0	0	7	0	7
Terrorism Insurance Program	4	0	4	10	0	10	10	0	10
Financing America's Infrastructure Renewal	0	0	0	0	0	0	11	0	11
Financial Innovation For Working Families Fund	0	0	0	0	0	0	8	0	8
Allotment For Puerto Rico EITC Payments	0	0	0	0	0	0	2	0	2
Total	85,240	9,905	95,145	88,288	10,684	98,972	92,268	10,754	103,022

1/ A portion of Fiscal Service's Reimbursable/Fee FTE is funded by fee revenue as authorized by the Debt Collection Improvement Act (DCA) of 1996.

2/ IRS FY 2015 Direct FTE include 287 FTE funded through a transfer from Health and Human Services for the Affordable Care Act. IRS FY 2015-2017 Direct FTE include 7 FTE funded from the Federal Highway Transportation Authority Account.

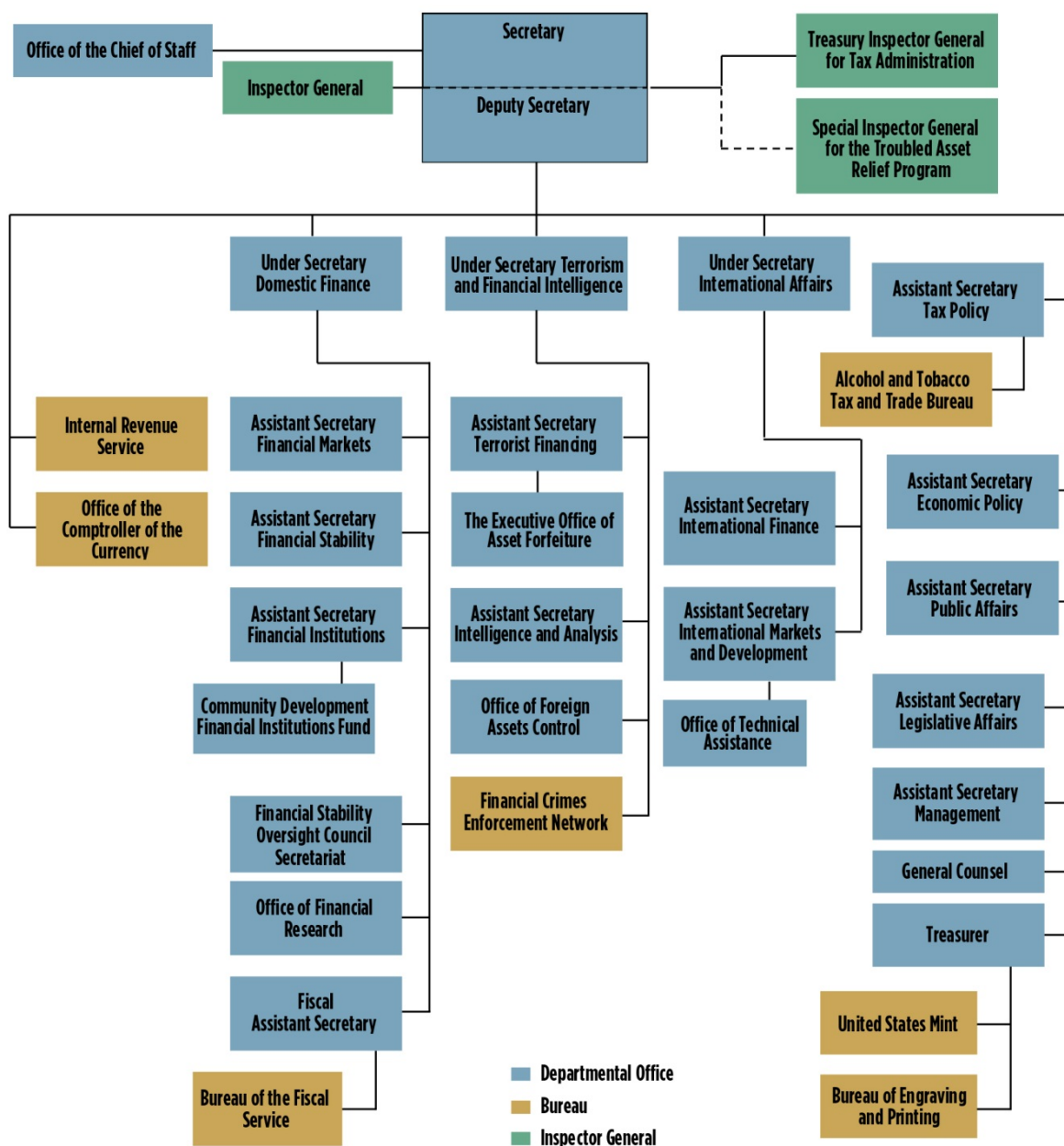
Summary of FY 2017 Increases and Decreases

Dollars in Thousands

	DO	Cyber	DSCIP	OIG	TIGTA	SIGTARP	CDFI	FinCEN	TTB	FS	TFF	IRS	Subtotal	TEOAF	Total
FY 2016 Enacted	\$ 339,500	\$ -	\$ 5,000	\$ 35,416	\$ 167,275	\$ 40,671	\$ 233,523	\$ 112,979	\$ 106,439	\$ 363,850	\$ -	\$ 11,235,000	\$ 12,639,653	\$ (876,000)	\$ 11,763,653
Adjustment to Request	(10,050.00)	3,050.00	-	-	-	-	-	-	-	-	-	-	-	(7,000.00)	-
Maintaining Current Levels (MCLs)	5,312.00	-	-	508.00	2,376.00	588.00	412.00	1,824.00	1,562.00	6,032.00	-	170,348.00	188,962.00	-	188,962.0
Non-Recurring Costs	(1,050.00)	-	(5,000.00)	-	-	-	(337.00)	-	-	-	-	-	(6,387.00)	-	(6,387.00)
Efficiency Savings	(1,430.00)	-	-	-	(17.00)	(99.00)	-	(1,300.00)	-	(1,935.00)	-	(3,766.00)	(8,547.00)	-	(8,547.00)
Other Adjustments	-	-	-	-	-	-	-	-	(1,562.00)	-	-	-	(1,562.00)	-	(1,562.00)
Adjustments to Base	\$ (7,218)	\$ 3,050	\$ (5,000)	\$ 508	\$ 2,359	\$ 489	\$ 75	\$ 524	\$ -	\$ 4,097	\$ -	\$ 166,582	\$ 165,466	\$ -	\$ 165,466
FY 2017 Base	\$ 332,282	\$ 3,050	\$ -	\$ 35,924	\$ 169,634	\$ 41,160	\$ 233,598	\$ 113,503	\$ 106,439	\$ 367,947	\$ -	\$ 11,401,582	\$ 12,805,119	\$ (876,000)	\$ 11,929,119
Program Decreases	-	-	-	-	-	-	-	-	-	-	-	-	(14,890.00)	-	(14,890.00)
Program Increases	2,084.00	106,777.00	5,000.00	1,120.00	-	-	12,325.00	1,500.00	-	-	3,000.00	363,765.00	495,581.00	-	495,581.0
Program Integrity Cap Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	514,748.00	-	514,748.0
Subtotal, Program Changes	\$ 2,084	\$ 106,777	\$ 5,000	\$ 1,120	\$ -	\$ -	\$ 12,325	\$ 1,500	\$ -	\$ (14,890)	\$ 3,000	\$ 878,513	\$ 995,439	\$ -	\$ 995,439
Change to the Forfeiture Fund Cancellations/Rescission	-	-	-	-	-	-	-	-	-	-	-	-	-	219,000.00	219,000.0
FY 2017 President's Budget	\$ 334,376	\$ 109,827	\$ 5,000	\$ 37,044	\$ 189,634	\$ 41,160	\$ 245,923	\$ 115,003	\$ 106,439	\$ 353,057	\$ 3,000	\$ 12,280,095	\$ 13,800,558	\$ (657,000)	\$ 13,143,558

Organization

Treasury is organized into the Departmental Offices, seven bureaus, and three inspectors general. The Departmental Offices are primarily responsible for policy formulation, while the bureaus are the operating units of the organization.¹



¹ In addition to the listed organizations, the Office of Risk Management, created in FY 2015, and the Office of Small and Disadvantaged Business Utilization report to the Deputy Secretary. Learn more about Treasury's bureaus and offices on the following pages and at <http://www.treasury.gov/about/organizational-structure/Pages/default.aspx>. For financial reporting purposes, the Departmental Offices includes the entities described in the following section, the various funds and programs managed by them (referenced in Part 2 of this report), and the Federal Financing Bank (FFB).

Departmental Offices

- Domestic Finance works to preserve confidence in the U.S. Treasury securities market, effectively manage federal fiscal operations, strengthen financial institutions and markets, promote access to credit, and improve financial access and education in service of America's long-term economic strength and stability.
- Terrorism and Financial Intelligence (TFI) marshals the Department's intelligence and enforcement functions with the twin aims of safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers, drug kingpins, and other national security threats.
- International Affairs protects and supports U.S. economic prosperity and national security by working to foster the most favorable external environment for sustained employment and economic growth in the United States.
- Tax Policy develops and implements tax policies and programs, reviews regulations and rulings to administer the Internal Revenue Code, negotiates tax treaties, and provides economic and legal policy analysis for domestic and international tax policy decisions. Tax Policy also provides revenue estimates for the President's Budget.
- Economic Policy reports on current and prospective economic developments and assists in the determination of appropriate economic policies. The office is responsible for the review and analysis of domestic economic issues and developments in the financial markets.
- The Treasurer of the United States oversees the U.S. Mint and Bureau of Engraving and Printing, chairs the Advanced Counterfeit Deterrence Steering Committee, and is a key liaison with the Federal Reserve. In addition, the Treasurer serves as a senior advisor to the Secretary in the areas of community development and public engagement.
- The Office of Management, including the Chief Financial Officer (CFO), manages the Department's financial resources and oversees Treasury-wide programs, including human capital, information technology, acquisition, and diversity and inclusion.
- Other offices within Departmental Offices include General Counsel, Legislative Affairs, and Public Affairs.
- Three Inspectors General – the Office of the Inspector General (OIG), the Treasury Inspector General for Tax Administration (TIGTA), and the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) – provide independent audits, investigations, and oversight of Treasury and its programs.

Bureaus

- The Alcohol and Tobacco Tax and Trade Bureau (TTB) collects federal excise taxes on alcohol, tobacco, firearms, and ammunition and is responsible for enforcing and administering laws covering the production, use, and distribution of alcohol products.
- The Bureau of Engraving and Printing (BEP) develops and produces U.S. currency notes that are trusted worldwide.
- The Financial Crimes Enforcement Network (FinCEN) safeguards the financial system from illicit use, combats money laundering, and promotes national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.
- The Bureau of the Fiscal Service (Fiscal Service) provides central payment services to federal program agencies, operates the U.S. Government's collections and deposit systems, provides government-wide accounting and reporting services, manages the collection of delinquent debt owed to the U.S. Government, borrows the money needed to operate the U.S. Government through the sale of marketable, savings, and special-purpose U.S. Treasury securities (including the state and local government series), and accounts for and services the public debt.
- The Internal Revenue Service (IRS) is the largest of the Department's bureaus and determines, assesses, and collects tax revenue in the United States.
- The United States Mint (U.S. Mint) designs, mints, and issues U.S. circulating and bullion coins; prepares and distributes numismatic coins and other items; and strikes Congressional Gold Medals and other medals of national significance. The U.S. Mint maintains physical custody and protection of most of the nation's gold and all of its silver assets.
- The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises national banks and federal savings associations (thrifts) to ensure that they operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations. The OCC also supervises federal branches and agencies of foreign banks and has rule-making authority for all savings associations.

Treasury Strategic Framework

The Government Performance and Results Act (GPRA) of 1993 and the GPRA Modernization Act of 2010 establish the need for agencies to identify performance goals, report progress against targets, and conduct data-driven reviews. When done well, these practices serve two key purposes for stakeholders within and outside of the organization: to assess the organization's health and impact and to inform decision-making and strategy, including effective resource allocation. In this spirit, Treasury developed a strategic framework supported by best-in-class organizational performance practices to ultimately help achieve its strategic goals.

Treasury Organizational Performance Review Cycle

Treasury’s organizational performance reviews provide a regular forum for open dialogue and coordination between Department and bureau and office leadership, bringing together different perspectives to set and align priorities, identify and solve problems, review agency performance goals, and drive results. The cycle integrates statutory requirements to conduct quarterly performance reviews of agency goals and a Strategic Objective Annual Review (SOAR), which analyzes cross-cutting performance and designates a set of strategic objectives as making “Noteworthy Progress” or as a “Focus Area for Improvement.”

	Fall	Winter	Spring	Summer
Focus	Bureau-level Performance	Department-level Performance (SOAR)	Bureau-level Performance	Performance-based Budget
Goals / Outcomes	<ul style="list-style-type: none"> • Gain a shared understanding of previous year’s progress at the bureau/office level • Identify and align priorities • Recognize successes 	<ul style="list-style-type: none"> • Evaluate cross-agency progress toward strategic objectives • Identify issues to discuss with OMB at FedStat (a new annual review with OMB) 	<ul style="list-style-type: none"> • Assess progress on priorities • Surface problems or assistance needed • Discuss solutions • Recognize successes 	<ul style="list-style-type: none"> • Connect priorities to future funding • Understand performance impacts

In addition to these department-level reviews, bureaus and offices validate performance data each quarter and many run their own internal performance reviews.

FY 2014-2017 Strategic Framework

The strategic framework comprises the Department’s FY 2014-2017 strategic goals and objectives and FY 2014-2015 Agency Priority Goals (APGs), which align to specific objectives. All bureaus and offices align their programs and performance within this framework.

	Strategic Goals	Strategic Objectives/APGs	Contributing Bureaus/Offices
Economic	Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system	1.1: Promote savings and increased access to credit and affordable housing options 1.2: Wind down emergency financial crisis response programs 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability 1.4: Facilitate commerce by providing trusted and secure U. S. currency, products, and services for use by the public	Domestic Finance International Affairs Economic Policy BEP Fiscal Service OCC TTB U.S. Mint
	Goal 2: Enhance U.S. competitiveness	2.1: Promote free trade, open markets, and foreign investment opportunities 2.2: Protect global economic and financial stability	International Affairs

	Strategic Goals	Strategic Objectives/APGs	Contributing Bureaus/Offices
Financial	and job creation, and promote international financial stability and more balanced global growth	<p>and press for market-determined foreign exchange rates</p> <p>2.3: Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms</p> <p>2.4: Provide technical assistance to developing countries working to improve public financial management and strengthen their financial systems</p>	TFI Economic Policy Tax Policy
	Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems	<p>3.1: Improve the efficiency and transparency of federal financial management and government-wide accounting</p> <p>3.2: Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government</p> <p>3.3: Pursue tax reform, implement the Patient Protection and Affordable Care Act and Foreign Account Tax Compliance Act, and improve the execution of the tax code</p>	Domestic Finance Tax Policy Fiscal Service IRS TTB
	Goal 4: Safeguard the financial system and use financial measures to counter national security threats	<p>4.1: Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector</p> <p>4.2: Develop, implement, and enforce sanctions and other targeted financial measures</p> <p>4.3: Improve the cybersecurity of our nation's financial sector</p> <p>4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards</p> <p><i>Aligned APG: Focus Enforcement on High-Priority Threats Using Proactive Analysis</i></p>	TFI Domestic Finance FinCEN OCC
Management	Goal 5: Create a 21st-century approach to government by improving efficiency, effectiveness and customer interaction	<p>5.1: Increase workforce engagement, performance, and diversity by instilling excellence, innovation, and inclusion in Treasury's organizational culture and business practices</p> <p>5.2: Support effective, data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use, and dissemination of information</p> <p>5.3: Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability</p> <p>5.4: Create a culture of service through relentless pursuit of customer value</p> <p><i>Aligned APG: Increasing IRS Self-Service Options for Taxpayers</i></p>	All Offices and Bureaus, led by the Office of Management

Performance Overview

Goal 1: Promote domestic growth and stability while continuing reforms of the financial system

Strategic Objective 1.1: Promote savings and increased access to credit and affordable housing options

Strategic Objective 1.2: Wind down emergency financial crisis response programs

Strategic Objective 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability

Strategic Objective 1.4: Facilitate commerce by providing trusted and secure U. S. currency, products, and services for use by the public

Increased access to credit and savings

The Small Business Jobs Act of 2010 (Jobs Act), which celebrates its fifth anniversary this year, has produced impressive results. The law created the State Small Business Credit Initiative (SSBCI), which is charged with increasing the availability of credit for small businesses and generating jobs and other economic development benefits for states. Because of the program's success, Treasury seeks to reauthorize it through FY 2023. Since its passage, SSBCI has supported more than 12,400 private sector loans or investments to small businesses and helped create or retain more than 140,000 jobs, as reported by the small businesses who received the loans and investments.² As of June 30, 2015, approximately \$1.26 billion of \$1.46 billion total funds available for disbursement have been provided to the states.³ As of December 2014, states had expended \$864 million of these funds to leverage \$6.4 billion in new lending or investing.

The Jobs Act also created the Community Development Financial Institutions (CDFI) Bond Guarantee Program, which is administered by the CDFI Fund. Bonds issued under the program support CDFI lending activity in underserved communities by providing a source of long-term capital. Under FY 2013 and 2014 authority, Treasury provided four bond guarantees, which supported eight bond loans totaling \$525 million. On September 29, 2015, Treasury announced that an additional nine bond loans, totaling \$327 million, were guaranteed in FY 2015.

Helping Americans save—for retirement and other goals—is a top priority for Treasury. Millions of workers in America either do not have access to an employer-sponsored retirement plan or lack options to save for retirement. In December 2014, Treasury began the initial pilot phase of *myRA*, or *my Retirement Account*, that makes saving for retirement simple, safe, and affordable. In addition, Treasury continued to lead the administration's efforts to help Americans have the financial information and skills they need to make sound choices in a complex financial system by chairing the interagency Financial Literacy and Education Commission and receiving important recommendations from the President's Advisory Council on Financial Capability for Young Americans. Additionally, Treasury worked closely with the Department of Education to improve the federal student loan system.

² SSBCI December 2014 Annual Report

³ SSBCI June 2015 Quarterly Report

Economic recovery and stability

FY 2015 also marked the fifth anniversary of the most far-reaching and comprehensive financial reforms since the Great Depression: the *2010 Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank Act). During the darkest moments of the 2008 financial crisis, the U.S. economy was contracting at the fastest rate in 50 years. By early 2009, companies were shedding more than 800,000 jobs a month and, eventually, the unemployment rate reached 10 percent. The crisis demonstrated that excessive risk-taking, low levels of capital, unsafe lending practices, and inadequate oversight within the financial system can have a real impact on the lives of all Americans. By enacting the Dodd-Frank Act, the U.S. Government set out to reform Wall Street to be more stable, transparent, and focused on serving customers.

Five years later, with nearly all of the major rules written, the financial system is safer, stronger, and more resilient. The economy is growing and unemployment rate has dropped to 5.0 percent as of November 2015.⁴ Regulators have modern, common-sense tools to protect taxpayers, and banks have more capital to cover potential losses. And since financial crises do not respect national borders, Treasury is working through the Group of 20 (G-20) and Financial Stability Board (FSB) to make sure that the Department's high standards are implemented globally. This year, the FSB will finalize a new international standard on total loss absorbing capacity (TLAC) for globally systemically important banks and standards for higher loss absorbing capacity for globally systemically important insurers.

Additionally, the emergency financial crisis response programs continue to wind down effectively. In December 2014, the Troubled Asset Relief Program (TARP) fully liquidated its investment in Ally Financial and realized cumulative receipts of \$19.6 billion (\$2.4 billion more than invested). The ultimate cost to taxpayers of TARP programs dropped from the FY 2009 estimate of \$341.0 billion to \$37.2 billion as of September 2015. TARP's foreclosure prevention programs provided more than 1.5 million homeowners with permanent mortgage modifications, which equates to approximately \$38.7 billion in realized monthly mortgage payment savings for these homeowners.

Monitoring for new risks to the financial system and the broader economy remains a top priority for Treasury and other regulators. For example, on October 15, 2014, the U.S. Treasury market experienced significant volatility. To better understand the sources of that volatility, Treasury, the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, the Securities and Exchange Commission, and the Commodity Futures Trading Commission conducted an analysis and issued a joint report in July 2015. The report analyzed a host of factors, including changes in global risk sentiment and investor positions, and those related to the evolution of Treasury market structure, in an effort to explain the events of that day. Treasury will continue to work with partners, including through the Financial Stability and Oversight Council (FSOC), to monitor the financial system and investigate any potential threats to financial stability.

The future of currency

During the summer of 2015, Secretary Lew announced that the \$10 bill, the first in a new family of notes, will undergo a redesign and that a woman's portrait will be featured on U.S. paper

⁴ U.S. Bureau of Labor Statistics, November 6, 2015 release.

currency for the first time in more than a century.⁵ The newly designed note is also expected to incorporate a raised tactile feature that increases accessibility and usability for the blind and visually impaired community. As part of his announcement, the Secretary asked Americans to engage in the redesign process by weighing in on whose portrait should be featured and how currency can honor the country's rich history of democracy. Treasury received more than 1.5 million responses from the public to date through face to face meetings, roundtables, town halls, Twitter, Instagram, Facebook, emails, and handwritten letters.

The Department is also working to evaluate the future of coins. The U.S. Mint provided research to Congress on potential alternative metals for coins that could drive down metal costs.


Facilitation of commerce

Treasury plays an important role in facilitating commerce for certain industries, such as the alcoholic beverage industry, that rely on Treasury's approval to enter the market. As these industries continue to expand, particularly in the small winery, brewery, and spirits areas, new businesses that are qualified to operate are waiting longer for permits. Further, increased demand for approvals of alcohol beverage labels and formulas, and declining resources to manage the approval processes, has required Treasury to work to fundamentally reshape these programs. Processing times for these approvals have also increased in recent years, which impede compliant commerce for industry members, and are particularly detrimental to small business. Recent efforts to reduce processing times—including an expanded list of label revisions allowable without new approval—have been outpaced by industry growth.

Key Performance Data Highlights

Measure (Responsible Bureau/Office)	FY 12	FY 13	FY 14	FY 15	4-yr Trend	FY 15 Target	Result vs Target
Percentage of CDFI Program loans & investments originated to eligible distressed communities or underserved populations by dollar amount (%) (Domestic Finance - CDFI Fund)	84.9	77.1	70.8	80.1	↔	60.0	Exceeded
Manufacturing costs for currency – dollar costs per thousand notes produced (BEP)	43.3	50.5	42.0	43.62	↔	55.0	Exceeded
Seigniorage per dollar issued (Mint)	.21	.24	.37	.49	↑	.24	Exceeded
Percent of permit applications processed within service standards (TTB)	61	50	58	47	↓	85	Not Met

⁵ Access <https://www.thenew10.treasury.gov/> for more information.

Percent of label and formula applications processed within service standards (TTB)	83	49	67	75		85	Not Met
Explanation of Results							
<p>Percentage of CDFI Program loans & investments originated to eligible distressed communities or underserved populations by dollar amount (Domestic Finance - CDFI Fund)</p> <p>This measure demonstrates the impact of CDFI awardees in serving eligible distressed communities and underserved populations by lending reported during the program year. By regulation, all certified CDFIs must originate 60 percent or more of their loans and investments in eligible distressed census tracts or to underserved populations. The target is a threshold that must be met or exceeded, recognizing the need for CDFIs to balance their mission to service distressed communities and underserved populations with safety and soundness considerations. The increase over the prior year was due to full adoption of the 2010 five-year American Community Survey (ACS) data to define eligible distressed census tracts (the prior year reporting allowed the use of either 2000 decennial data or the five-year ACS data).</p>							
<p>Manufacturing costs for currency – dollar costs per thousand notes produced (BEP)</p> <p>This measure calculates the actual manufacturing cost for currency notes, which includes direct labor costs, the cost of raw materials used, and related manufacturing overhead charges. The FY 2015 cost of manufacturing was lower than anticipated due to savings resulting from increased volume and decreased spoilage.</p>							
<p>Seigniorage per dollar issued (Mint)</p> <p>This measure calculates the difference between the face value and the cost of minting and issuing circulating coins. Seigniorage per dollar issued is the seigniorage generated from each dollar of circulating coinage face-value shipped to Federal Reserve Banks. FY 2015 results exceeded the target and prior year performance due to a 24 percent increase in circulating shipment volumes coupled with a 9 percent reduction in general and administrative costs.</p>							
<p>Percent of permit applications processed within service standards (TTB)</p> <p>This measure indicates how often TTB processes permit applications within the established customer service standards, which are reviewed annually for new businesses seeking to engage in alcohol or tobacco manufacturing or distribution to ensure timely market entry for qualified individuals. As the majority of permit applications are filed electronically, TTB implemented system enhancements in FY 2015 to reduce bottlenecks in the approval process. However, the volume of applications, particularly in the manufacturing segments of small wineries, breweries, and distilleries, offset gains and resulted in continued processing delays.</p>							
<p>Percent of label and formula applications processed within service standards (TTB)</p> <p>This measure indicates how often TTB processes alcohol beverage label and formula applications within the customer service standards established for the respective programs to improve consistency and reliability for the business community served. Service standards are annually reviewed and updated to account for various factors, including workload and resources. Though TTB achieved substantial improvement in performance in the last two years, performance remains below target as TTB efforts to manage the volume of submissions by reducing filing requirements associated with label and formula approval have been offset by increased applications due to industry growth.</p>							

Goal 2: Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth

Strategic Objective 2.1: Promote free trade, open markets, and foreign investment opportunities

Strategic Objective 2.2: Protect global economic and financial stability and press for market-determined foreign exchange rates

Strategic Objective 2.3: Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms

Identified as a Focus Area for Improvement in FY 2015 due mainly to external factors slowing progress, specifically securing congressional approval of the International Monetary Fund (IMF) Reform package.

Strategic Objective 2.4: Provide technical assistance to developing countries working to improve public financial management and strengthen their financial systems

Identified as making Noteworthy Progress in FY 2015 due to the Office of Technical Assistance's (OTA) reputation in program management and the results of recently completed projects, particularly in Latin America where OTA helped to establish Latin America's first Tax Inspector General.

Progress toward balanced growth

Leveraging multilateral mechanisms, Treasury made progress enhancing global economic growth prospects by securing commitments from the G-20 countries at the Brisbane Leaders' Summit in November 2014 to boost near-term demand through comprehensive growth strategies and to establish the Global Infrastructure Hub to increase global investment. The plan's emphasis on comprehensive growth strategies to boost demand over the near-term reflected an important U.S. policy priority. Additional commitments to boost growth have been secured through the G-20 process in 2015.

In addition, Treasury defined the policy framework for development finance for the next 15 years by successfully negotiating the adoption of the *Addis Ababa Action Agenda* at the Third International Conference on Financing for Development in July 2015. The conference provided a forum to promote a modern and updated approach to development finance, including a bold vision for achieving a prosperous, inclusive, and sustainable world free from extreme poverty. It also provided the financing framework for the *2030 Agenda for Sustainable Development* adopted by world leaders in September 2015. The 2030 agenda includes 17 development goals in the areas of domestic resource mobilization, private sector investment, combatting illicit finance, sustainable infrastructure, improved data, maternal and child health, and others.

With the United States Trade Representative (USTR), Treasury co-leads the negotiation of financial services chapters of free trade agreements. In June 2015, Congress passed Trade Promotion Authority (TPA), which granted the President the authority to negotiate trade deals that will then be considered by Congress under an expedited approval process. Notable progress was made promoting free trade and open markets by reaching agreement on the largest regional trade accord in history, the Trans-Pacific Partnership (TPP) agreement, and by advancing the Transatlantic Trade and Investment Partnership and the broader U.S. trade agenda.

Efforts to promote global stability

Treasury protects and supports American economic prosperity by strengthening the external environment for U.S. growth, preventing and mitigating global financial instability, and managing key global challenges. New commitments secured from China at the June 2015 Strategic and Economic Dialogue (S&ED) will lead to implementation of economic reforms and pro-market policies that will create new opportunities and a more level playing field for U.S. workers and firms. They also included commitments from China on the negotiation of international export credit disciplines, exchange rate policy and transparency, market access for U.S. high-technology goods and services, and expanded participation in China's markets by U.S. financial services providers. Further commitments were secured during the September 2015 State Visit of China's president in the areas of development finance and foreign investment policy. These commitments will serve to protect global economic and financial stability.

Additionally, Treasury continued efforts with European counterparts to encourage institutional development in the euro area and remained engaged with the International Monetary Fund (IMF) to monitor progress toward economic stabilization in vulnerable countries like Ukraine and Greece. In May 2015, the U.S. Agency for International Development (USAID) and the Hashemite Kingdom of Jordan (Jordan) signed a third sovereign loan guarantee agreement that will help Jordan continue to provide critical services to its citizens and support specific economic reforms to promote economic stability and growth. These guarantees, which Treasury helped to design, have proven successful in supporting Jordan's reform efforts during a time of regional instability.

International leadership and assistance

Treasury continues to engage with G-20 members to leverage the FSB to collective advantage, supporting the FSB's objectives of greater financial stability, strong, sustainable, and balanced growth, and a level playing field for firms both in the United States and globally. Progress was made on the key objectives for global regulatory reform set out at the Pittsburgh Summit in 2009, including: building more resilient financial institutions with higher capital requirements and better quality capital; making the over-the-counter (OTC) derivatives markets safer and more transparent; addressing the risks posed by the largest, most complex financial institutions; and monitoring potential emerging threats to financial stability.

While Treasury made progress on several key international issues, evolving global geopolitical and financial crises and slowing economic growth in key regions and countries required Treasury to respond nimbly to immediate priorities, leaving less time for longer-term goals. Compounding these external challenges, Congress again failed, in FY 2015, to approve the 2010 IMF Quota and Governance Reforms and provide sufficient support for multilateral assistance priorities. This strains the ability of the United States to lead in these institutions and can adversely impact the willingness of other countries to engage in advancing U.S. priorities.

Despite these challenges, Treasury continues to provide critical technical assistance to finance ministries and central banks in developing countries. In FY 2015, Treasury's Office of Technical Assistance (OTA) successfully completed several projects in Latin America to provide regional models of excellence in public financial management. For example, Treasury's assistance enabled the establishment of the first tax inspector general within the Colombian

government, now seen as a leader and model for surrounding countries. In FY2015, OTA also continued to provide technical assistance to the Ukrainian government as part of the U.S. Government's rapid response to stabilize the banking sector and strengthen government finances.

Key Performance Data Highlights

Measure (Responsible Bureau/Office)	FY 12	FY 13	FY 14	FY 15	4-yr Trend	FY 15 Target	Result vs Target
Timely review of Committee for Foreign Investment in the U.S. (CFIUS) cases (%) (International Affairs)	N/A	100	100	100	↔	100	Met
Impact of Technical Assistance Programs - Changes that result from project engagement – 5 point scale (International Affairs)	3.1	3.0	2.9	2.9	↓	3.1	Not met
Traction of Technical Assistance Programs – scope and intensity of engagement – 5 point scale (International Affairs)	3.9	3.8	3.7	3.8	↔	3.6	Exceeded

Explanation of Results

Timely review of CFIUS cases (%) (International Affairs)

By statute and regulation, CFIUS must complete its consideration of a covered transaction within 75 days of acceptance of a notice regarding the transaction, except for transactions that the parties have voluntarily withdrawn. The 100 percent result for FY 2015 reflects that CFIUS timely reviewed all such notified transactions for national security concerns and concluded action transactions after determining there were no unresolved national security concerns.

Impact and Traction of Technical Assistance Programs (International Affairs)

Traction is the degree to which OTA's foreign counterparts are engaging proactively and constructively with OTA advisors, particularly at the working level. Traction was relatively high during the reporting period. Impact measures the extent to which a project is achieving the intermediate goals and ultimate outcomes described in the project's terms of reference and work plan during the fiscal year – such as passage of law or regulation, an increase in government revenues, an improvement in a government's credit rating, or a reduction in financial crimes. The impact measure is primarily a function of the extent to which OTA's foreign counterparts actually make use of OTA's technical advice and is dependent on a range of factors not within OTA's control, including the policy and political environment, the commitment of in-country actors to reform, overall economic conditions, and in some cases, the country's security environment. Taken together, these factors resulted in a lower average score during this reporting period. OTA is sometimes called upon to engage in countries where US foreign policy and national security interests are compelling but where the overall political economy and security environment is especially challenging and impact is hard to achieve. Sustaining traction in these difficult assistance projects is a mark of the program's strength. It should also be noted

that relatively minor deviations from the baseline target are to be expected in assigning an aggregate numerical value to a program that consists of many individual projects – the traction and impact figures above are the average of more than 150 individual project ratings – implemented over multiple countries with different policy and political environments.

Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems

Strategic Objective 3.1: Improve the efficiency and transparency of federal financial management and government-wide accounting

Identified as a Focus Area for Improvement in FY 2015 due to anticipated work that will be done in FY 2016 to implement the DATA Act and USAspending.gov improvements.

Strategic Objective 3.2: Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. Government

Strategic Objective 3.3: Pursue tax reform, implement the Patient Protection and Affordable Care Act and Foreign Account Tax Compliance Act, and improve the execution of the tax code

Innovations in federal financial management

Treasury constantly seeks to lead the government in modernizing federal financial management. As a co-lead with OMB in implementing the *Digital Accountability and Transparency Act of 2014* (DATA Act), Treasury engaged with communities that create and use federal financial data to make it more transparent and available to the American people.⁶ Once implemented, the DATA Act will make federal spending data more accessible, searchable, and reliable. In FY 2015, Treasury and OMB published new data standards based on public input that will help improve the quality of federal spending data and enable agencies to use common standards when reporting information. Treasury is also developing resources to support federal agencies in adopting the data standards and increasing spending transparency based on the DATA Act requirements. Treasury will continue to engage the public in the development of new online tools to support greater access to data and, by May 2017, further improve data accuracy on USAspending.gov.

The amount of college debt increased substantially in recent years, and the United States needs a world-class student lending system on par with its higher education system. To develop new solutions to this growing problem, the Department of Education partnered with Treasury to launch a pilot in February 2015 that allows Treasury to work directly with defaulted student loan borrowers. The pilot will yield valuable data and first-hand experience with the collections process, which should provide a better understanding of best practices and how to improve borrower outcomes.

Fiscal responsibility

Treasury is entrusted with managing the nation's finances, collecting money and making payments on behalf of the United States. Treasury also determines and executes a borrowing strategy that meets the federal government's needs at the lowest cost over time. Furthermore,

⁶ For more information on Treasury's efforts to implement the DATA Act, access <https://www.usaspending.gov/Pages/Data-Act.aspx>.

Treasury accounts for, and reports on, the U.S. Government's finances to the American people. Sound financial management enables the continual operation of essential government services.

In May 2015, Treasury changed its cash management policy to hold a higher level of cash to cover one week of average disbursements in the case of events that limit market access, such as cyberattacks or natural disasters. This change was based on a review of policies, recommendations from the Treasury Borrowing Advisory Committee, and an assessment of emerging threats.

Treasury also made strides in facilitating agencies' compliance with the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA). In FY 2015, Treasury enhanced its systems to allow for real-time matching of payments against death and vendor data. In addition, the incorporation of Privacy Act-restricted data improved vendor data matching and reduced false positives by 99.8 percent. Treasury also improved its analytics capabilities and developed agency-specific reports that provide a particular agency or program within the agency a high-level summary of statistical observations that may contribute to improper payments. These reports provide a means to inform agency management about these observations and to determine whether or not the observations call for a more in-depth analytical project in partnership with the agency, to assess the issue, determine root cause, and develop internal control methodologies to eliminate the issue in the future.

Despite this progress, challenges inhibiting eligibility verification remain, specifically in gaining access to additional data sources that will help prevent improper payments. To help mitigate some of these challenges, the *FY 2016 President's Budget* included a number of legislative proposals that would, if enacted by Congress, provide Treasury with additional tools to combat waste and fraud as well as greater authority to take actions that will prevent payment errors and improve compliance.

Tax reform and administration

Pursuing tax reform remains a top priority for Treasury, along with implementing tax provisions of the *Affordable Care Act* (ACA) and the *Foreign Account Tax Compliance Act* (FATCA) and administering the existing tax code fairly and effectively. In FY 2015, Treasury continued negotiating and signing FATCA agreements. At the end of FY 2015, there were 76 signed agreements, including 30 signed during the year, and an additional eight agreements in substance were reached. In July 2015, Treasury finalized the first-ever comprehensive tax treaty between the United States and Vietnam, which represents a significant step in expanding the U.S. tax treaty network (pending Senate approval).

To bring better transparency to the tax system and improve enforcement, Treasury successfully persuaded the Organization for Economic Cooperation and Development (OECD) to adopt the U.S. model to tighten the net on tax evaders. As part of the *FY 2016 President's Budget*, Treasury also introduced annual revenue proposals to Congress, including 27 new proposals. *The Administration's Fiscal Year 2016 Revenue Proposals* included an international tax reform section addressing inversions and 45 proposals for business tax reform. Finally in this area, TTB worked with the Department of Homeland Security's (DHS) Customs and Border Protection and other law enforcement partners to address illicit trafficking of products through customs bonded

warehouses and foreign trade zones. TTB also plans to complete full integration into the International Trade Data System to improve excise tax enforcement efforts.

Despite these successes, effective tax administration grows more challenging every year due to the worsening IRS funding situation. In the past five years, IRS funding has been reduced by \$1.2 billion, causing the IRS to implement severe controls on all expenditures. These controls, which include restrictions on staff replacement, led to a reduction of almost 15,500 full-time employees since FY 2010. The funding constraints also significantly affected the IRS's ability to modernize infrastructure and adequately staff systems. By prioritizing resources, the IRS delivered another successful filing season in 2015 in terms of return processing: opening on schedule and implementing new provisions of FATCA and ACA. The IRS also issued nine out of ten refunds in less than 21 days. The filing season was more challenging in terms of customer service, which is discussed further under Goal Five.

The IRS also dedicated significant resources to address tax fraud, resulting in the successful recovery of \$813 million in 2015 and leading to a public-private partnership with software developers, banks, and other industries to identify and enact a series of steps to further protect taxpayers from tax-related identity theft in 2016. In 2015, through September, the IRS rejected or suspended the processing of 4.5 million suspicious returns and stopped 1.2 million confirmed identity theft returns, totaling \$7.2 billion. Additionally, through September, the IRS stopped \$2.3 billion worth of refunds in other types of fraud, totaling \$9.5 billion defended against confirmed fraudulent returns.

Key Performance Data Highlights

Measure (Responsible Bureau/Office)	FY 12	FY 13	FY 14	FY 15	4-yr Trend	FY 15 Target	Result vs Target
Percentage of Treasury payments and associated information made electronically (%) (Fiscal Service)	88.3	92.5	94.4	94.8	↑	94.9	Not Met
Percentage of total dollar amount of U.S. Government receipts collected electronically (%) (Fiscal Service)	97.0	97.0	98.0	98.0	↑	98.0	Met
Percentage of individual returns processed electronically (IRS)	80.5	82.5	84.1	85.3	↑	84.6	Exceeded
Taxpayer Self-Assistance Rate (IRS)	78.5	83.3	84.7	88.7	↑	85.0	Exceeded
Explanation of Results							
Percentage of Treasury payments and associated information made electronically AND Percentage of total dollar amount of U.S. Government receipts collected electronically (Fiscal Service) Fiscal Service has been promoting the Paperless Treasury initiative for several years in an effort to disburse payments, as well as receive and settle collections, through electronic means. Fiscal Service will							

expand the number of digital wallet providers and online bill payment agencies and will work with partner agencies to identify the best tools and strategies for transitioning more of their customers to electronic alternatives.

Percentage of individual returns processed electronically (IRS)

The number of electronically filed individual tax returns divided by the total individual returns filed. The IRS exceeded its FY 2015 target and FY 2014 performance for individual returns processed electronically. This increase is attributed to taxpayers' increasing use of tax software and tax preparers to file their tax returns. The IRS will continue to process individual returns as efficiently as possible to meet future plans.

Taxpayer Self-Assistance Rate (IRS)

The percentage of taxpayer assistance requests resolved using self-assisted automated services. In FY 2015, the Taxpayer Self-Assistance Rate was at an all-time high of 88.7 percent, which was 3.7 percent above target and 4.0 percent more than FY 2014. The increase was due to taxpayers' use of Web Services, particularly the "Where's My Refund" application. The IRS will continue to promote the web-first strategy to taxpayers, offering a more convenient, efficient, and effective way to meet their needs.

Goal 4: Safeguard the financial system and use financial measures to counter national security threats

Strategic Objective 4.1: Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector

Identified as making Noteworthy Progress in FY 2015 due to the progress made in applying little-used authorities to share information and implementing the new business system and advanced algorithms to identify targets and pursue enforcement actions as a result of the intelligence.

Strategic Objective 4.2: Develop, implement, and enforce sanctions and other targeted financial measures

Identified as making Noteworthy Progress in FY 2015 due to the Joint Comprehensive Plan of Action signed in FY 2015 and the new regulations regarding Cuba sanctions

Strategic Objective 4.3: Improve the cybersecurity of our nation's financial sector

Identified in FY 2015 as making Noteworthy Progress due to the significant progress made in coordinating and engaging with industry and as a Focus Area for Improvement due to ever-evolving threats and complexities in sharing information.

Strategic Objective 4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards

Aligned APG: Focus Enforcement on High-Priority Threats Using Proactive Analysis

Improved protection of the financial system

Treasury works to protect the integrity of the financial system and advance key national security and foreign policy objectives through outreach, coordination, and collaboration with public and private sector partners; regulation, enforcement, financial intelligence analysis; and targeted financial activities and measures. One of Treasury's FY 2014-2015 Agency Priority Goals (APGs) was to use proactive analytics to focus enforcement on high-priority threats. By focusing on this APG, Treasury implemented advanced analytics capabilities and improved the use and sharing of information on threats to the financial system. In FY 2015, FinCEN initiated daily tactical reporting to law enforcement, foreign partners, and the intelligence community

through the use of new information technology capabilities. By developing and employing business rules in a modernized system, FinCEN automatically screened Bank Secrecy Act (BSA) reports daily on topics of national security concern, including terrorist financing, cyber threats, and Ukraine kleptocracy. As a result of the efforts, FinCEN quadrupled the intelligence products provided and increased completed enforcement actions in FY 2015, compared to FY 2014.

FinCEN also moved the global community forward on anti-money laundering and counter-terrorism financing policies and coordinated multi-lateral efforts to support Ukraine's efforts to recover misappropriated assets. FinCEN issued the first civil enforcement action against a virtual currency exchanger, Ripple Labs, for willfully violating the BSA.

Effectiveness of sanctions programs

Through a steady campaign to expose Iran's deceptive activities in the financial arena, Treasury isolated Iran's banks from the world's financial centers, wounding its trade and financial strength. Since 2010, these and other efforts led to the diplomatic process that produced the Joint Comprehensive Plan of Action in July 2015. This plan will ensure Iran's nuclear program remains exclusively peaceful and, in turn, will lift specified nuclear-related sanctions on Iran upon verification from the International Atomic Energy Agency that Iran has implemented key nuclear commitments. This success proves that smart, creative, persistent financial efforts, when backed by the superb support of the U.S. intelligence community, can change behavior.

In December 2014, the President announced a set of diplomatic and economic changes to chart a new course in U.S. relations with Cuba and further engage and empower the Cuban people. Treasury and the Department of Commerce published revised *Cuban Assets Control Regulations and Export Administration Regulations*, effective in January 2015, that will facilitate travel to Cuba for authorized purposes, approve processing of certain financial transactions, and allow other activities in the areas of telecommunications, financial services, trade, and shipping. In September 2015, Treasury and Commerce announced additional amendments to the Cuba sanctions regulations. These regulatory changes build upon the January amendments and will further facilitate the normalization process between Cuba and the United States.

Financial sector cyber security

Cyber threats are vast and evolving—not just increasing in number, but also in types of incidents and means for intrusion. The prevalence of cyber risks creates a persistent and complex challenge for financial institutions spanning the sector. The financial costs of cyber-attacks are real and increasing; disruption of business, erosion of customers, loss of revenue, reputational damage and loss of confidence, and theft of intellectual property are just a few ways cyber-attacks hurt the financial system.

As the Sector Specific Agency for Financial Services, defined under Presidential Policy Directive 21, *Critical Infrastructure Security and Resilience*, Treasury participates in interagency and cross-sector initiatives and plays a key role in managing responses to disruptive events. While Treasury's sector-specific responsibilities include all hazards, whether natural or man-made, in recent years the Department has increasingly focused on promoting improvements in cybersecurity across the financial sector. In FY 2015, Treasury worked with industry to organize



cybersecurity initiatives on a national level using the following themes: baseline protections, information sharing, and response and recovery.

In February 2015, the President signed an executive order encouraging and promoting the sharing of cybersecurity threat information within the private sector and between private and government entities. Treasury assisted DHS in promoting information sharing and analysis and worked this year to automate the information-sharing process.

To enable effective incident response, Treasury established and convened the first-ever meetings of the Financial and Banking Information Infrastructure Committee at the principal level and spearheaded the development of tabletop exercises to test cyber-incident response processes. In FY 2015, Treasury hosted three cyber-related exercises with more than 25 public and private sector organizations.

Protecting Treasury's infrastructure is critical to maintaining a secure financial infrastructure. Consequently, Treasury fully committed to OMB's government-wide cyber-sprint and created an internal cyber dashboard to monitor progress and potential threats. As of August 2015, Treasury met OMB's requirement for strong authentication of users with privileged access and was considered a top-performing federal agency for cybersecurity cross-agency priority goal.

Key Performance Data Highlights

Measure (Responsible Bureau/Office)	FY 12	FY 13	FY 14	FY 15	4-yr Trend	FY 15 Target	Result vs Target
Percentage of users finding that the financial intelligence collected by FinCEN pursuant its regulations provides valuable information to safeguard the financial system, combat money laundering, and counter terrorist financing	90	80	81	83		82	Exceeded
Impact of TFI programs and activities – 10 point scale (TFI)	8.1	8.3	8.5	8.8		8.5	Exceeded

Explanation of Results

Percentage of users finding that the financial intelligence collected by FinCEN pursuant its regulations provides valuable information to safeguard the financial system, combat money laundering, and counter terrorist financing (FinCEN)

Survey data that looks at the value of FinCEN data, such as whether the data (1) provided unknown information, (2) supplemented or expanded known information, (3) verified information, (4) helped identify new leads, (5) opened a new investigation or examination, (6) supported an existing investigation or examination, or (7) provided information for an investigative or examination report. While the FY 2015 results remain lower than the FY 2012 level, FinCEN exceeded its target of 82 percent and the results have increased steadily for the past three years. FinCEN introduced a new query tool late in FY

2013 that changed how users access financial intelligence products. While this new tool provides enhanced search capabilities, it appears that limited training opportunities for users in FY 2013 caused a drop in results. As a result, since FY 2013, FinCEN has placed greater emphasis on both in-person and on-line training that will better assist users and continue to improve performance in this area.

Impact of TFI programs and activities (TFI)

There are several things that account for TFI's increase in program impact and activities to include the signed Joint Comprehensive Plan of Action in FY 2015 that implements sanctions relief to Iran in exchange for Iran taking steps to ensure a peaceful nuclear program, as well as the new regulations regarding Cuba sanctions. Additionally, TFI has advanced the rulemaking process for Beneficial Ownership, and TFI has continued funding Third Party Money Laundering cases and their operational needs.

Goal 5: Create a 21st Century approach to government by improving efficiency, effectiveness, and customer interaction

Strategic Objective 5.1: Increase workforce engagement, performance, and diversity by instilling excellence, innovation, and inclusion in Treasury's organizational culture and business practices

Strategic Objective 5.2: Support effective, data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use, and dissemination of information

Strategic Objective 5.3: Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability

Designated as a Focus Area for Improvement in FY 2015 due to the challenges facing Treasury shared service providers and the anticipated efforts in the coming year to standardize products and services.

Strategic Objective 5.4: Create a culture of service through relentless pursuit of customer value

Aligned APG: Increasing IRS Self-Service Options for Taxpayers

Pursuit of best-in-class business practices

Treasury's future success, both immediate and long term, depends on sustaining and developing the resources required to achieve the Department's mission. These critical resources include finances, physical assets, technology, and most importantly, people. In the FY 2014-2017 strategic plan, Treasury committed to capitalizing on 21st century advances in knowledge, methods, and technology to manage resources as effectively and efficiently as possible, creating the best value for all constituents.

During FY 2015, Treasury advanced several leading management practices. Treasury continued the workforce planning effort that began in FY 2014 and will focus next on the cybersecurity workforce. Treasury also established the Office of Risk Management, headed by the Chief Risk Officer, and Treasury's Deputy Secretary established the Treasury Risk Management Committee, which she co-chairs with the Chief Risk Officer, and introduced a more robust risk discussion in Treasury's organizational performance reviews for leaders from different areas to surface potential risks and identify effective mitigation actions.

Employee engagement

Recent events, including the cybersecurity breaches at the Office of Personnel Management (OPM) and sustained fiscal uncertainty, test employees' morale and ability to remain engaged. Fortunately, 94 percent of the Treasury responses to the Federal Employee Viewpoint Survey reflect that employees remain willing to put in extra effort to get a job done and 88 percent are constantly looking for ways to do their jobs better. In FY 2015, Treasury remained committed to fostering an environment where leaders and employees feel encouraged to focus on important principles of good government and empowered to take action. Treasury has institutionalized a focus on employee engagement by adopting an annual engagement program cycle of data-based action planning, program implementation, and periodic performance reviews. Additionally, the management offices responsible for individual and organizational performance management policy and implementation created the Performance Alignment Work Group to further improve alignment of individual actions to organizational results within Treasury.

Treasury also continued to foster an environment where every employee feels equally valued. In FY 2015, more than 200 supervisors and managers participated in a cultural transformation effort focused on diversity and inclusion principles. Human capital issues, including diversity and inclusion, were regular topics at the organizational performance reviews and remain a top priority for Treasury leadership.

Service to customers

In Treasury's efforts to lead more efficient practices in government, Treasury expanded its customer base for shared administrative services this year to include the Department of Housing and Urban Development and DHS. While this is an indicator of the high quality of Treasury's products and services, customer feedback indicates that their needs and expectations vary greatly. Consequently, Treasury is working to improve communications and standardize services, products, and processes to sustain the cost efficiencies of the model and improve customer satisfaction.

Few government agencies have greater interaction with the American people than the IRS, and providing top quality service to taxpayers, including helping them understand and meet their tax obligations, remains a central focus for the IRS. That is why Treasury's second FY 2014-2015 APG focused on increasing self-service options for taxpayers, who increasingly expect on-demand web-based interactions. In FY 2015, the IRS continued to invest in and prioritize online services to meet taxpayer demand for anytime, anywhere, any-device access, delivering innovative digital interactions and enhanced support and communication with the tax community and government partners.




Online service options cost comparatively less and have a greater capacity to assist larger numbers of taxpayers than other service channels. At the same time, the IRS recognizes that telephone contact remains a critical and preferred mechanism for many taxpayers and, consequently, committed as many resources as possible in FY 2015 to maintaining telephone service at acceptable levels. As referenced earlier in this report, between FY 2010 and FY 2015, Congress cut the IRS budget by more than \$1.2 billion, which represents a cut of nearly 10 percent in nominal dollars and more than 17 percent with inflation. This impacted the IRS's ability to serve taxpayers, contributing to the level of service falling to 38.1 percent in FY 2015.

The IRS also experienced increased call volume in FY 2015 and issued 17.6 million disconnects, which are automatic call terminations by the IRS after a fixed waiting period. These “courtesy” disconnects are designed to limit excessive wait time and direct callers to alternative service channels.

Increasing the use of online services, however, results in additional challenges. In May 2015, the IRS determined that unauthorized third parties used taxpayers’ personal information obtained from sources outside of the IRS to access its “Get Transcript” application by using stolen information to clear the application’s multi-step user authentication process. The required prior personal knowledge about the taxpayer included social security number, date of birth, filing status, street address, and answers to several identity verification questions typically known only to the taxpayer. The IRS believes some of this information may be used to file fraudulent tax returns during the upcoming 2016 filing season. Immediately after this incident, the IRS suspended the “Get Transcript” application and contacted impacted taxpayers, directing them to identity theft protection tools available through the IRS and credit-monitoring services made available at the IRS’s expense. The IRS also flagged impacted accounts in its core processing system to protect taxpayers moving forward. Securing systems and protecting taxpayers’ personal information continues to be a top priority for Treasury.

Despite the threat of identity theft, taxpayers’ demand for self-service and electronic service options continues to increase. The IRS plans to create a more secure online environment by focusing on developing and maintaining strong authentication and identity management capabilities. In addition, the IRS provides year-round assistance through outreach and education programs, tax forms and publications, and toll-free call centers, taxpayer assistance centers, volunteer income tax assistance sites, and tax counseling for the elderly sites.

Key Performance Data Highlights

Measure (Responsible Bureau/Office)	FY 12	FY 13	FY 14	FY 15	4-yr Trend	FY 15 Target	Result vs Target
Federal Employee Viewpoint Survey (FEVS) Engagement Index – 1 to 100 (%) (Management)	70	68	66	66		67	Not Met
Treasury-wide Footprint in Thousands of Sq. Ft. (Management)	37,998	37,320	36,418	35,439		36,031	Exceeded
Customer Service Representative Level of Service (%) (IRS)	67.6	60.5	64.4	38.1		38.0	Exceeded

Explanation of Results

Federal Employee Viewpoint Survey (FEVS) Engagement Index – 1 to 100 (%) (Management)

The FEVS Engagement Index denotes the extent to which employees are engaged in their work and motivated by their organization's leadership. Treasury's Engagement Index remained constant at 66 percent from 2014 to 2015. Eight out of eleven Treasury components increased their Engagement Index by 1 to 5 points from 2014 to 2015. Because of IRS's size, however, a decline of 1 point in its Engagement Index neutralized the effect of other bureau increases.

Treasury-wide Footprint in Thousands of Sq. Ft. (Management)

This measures the total square footage occupied by Treasury's owned and leased buildings. The Department's real property footprint was reduced by an estimated three percent (almost one million square feet) during FY 2015. The reduction was achieved through better use of existing office space, consolidations and co-locations, increased use of telework, and the implementation of new space design standards that use a reduced footprint to optimally right-size the portfolio consistent with Department mission and essential program needs. The Department projects that the footprint will be reduced by another 600,000 square feet in FY 2016.

Customer Service Representative Level of Service (%) (IRS)

This measure is defined as the number of toll free callers that either speak to a Customer Service Representative or receive information messages divided by the total number of attempted calls. In FY 2015, the Customer Service Representative Level of Service (LOS) target was lowered due to decreased resources and staffing and a projected increase in the number of ACA inquiries. During the filing season, the level of service was 37.4 percent; however, the overall fiscal year target was exceeded by 0.1 percent. FY 2015 Assistor Calls Answered decreased 21 percent and automatic disconnections based on wait times increased 11.6 percent when compared to FY 2014. Through extensive communication, the IRS encourages taxpayers to use the Web or automated tools and alternate channels to resolve their concerns.

Summary of Management and Performance Challenges

Several cross-cutting challenges were identified and discussed in Treasury's FY 2015 organizational performance reviews that affect efforts to achieve its strategic priorities:

- **Changing international conditions and evolving threats:** As previously discussed, evolving and unpredictable global economic and geopolitical conditions affect Treasury's negotiations and program implementation. The nature of the threats that Treasury faces in the cybersecurity, anti-money laundering, and terrorist financing realms are also fast-growing and constantly changing. Additionally, while the economy has largely recovered, Treasury must remain vigilant to new threats to financial stability and economic growth.
- **Uncertain fiscal and legislative environments:** The pattern of continuing resolutions and the potential for a lapse in appropriations constrains Treasury's ability to plan strategically, impacts its ability to effectively manage the country's debt, and reduces the level of service to taxpayers. Additionally, reauthorization of certain programs and congressional approval of key reforms would enable Treasury to better achieve U.S. objectives but is difficult to predict and, consequently, to plan for its execution.
- **Increased expectations and demand:** Treasury has, in recent years, been asked to lead government-wide implementation of new laws and policies (such as ACA and DATA Act), including the launch of innovative new tools and pilots, while adjusting to reduced resources and staffing levels.

- **Effectiveness of the hiring process:** The federal hiring process poses challenges to Treasury organizations aiming to quickly recruit and hire top talent. Treasury seeks skills that are in high demand in the private sector, which has more flexibility in hiring practices and incentives.
- **Availability of data and analytic capability:** Reliance on third party or private sector analysis poses a risk to the quality of the analysis and recommendations that Treasury provides to senior government officials. Treasury faces challenges in its efforts to improve decision-making by reducing reliance on third-party analysis. Additionally, Treasury is structured and, in some cases, statutorily required, to protect data. Reshaping Treasury's ability to meet increasing calls in recent years to share data across organizations may require additional infrastructure and staff.

In addition to the performance challenges discussed above and in previous sections of this report, OIG and TIGTA have identified the most significant management and performance challenges facing the Department, in accordance with the Reports Consolidation Act of 2000.⁷ These challenges do not necessarily indicate deficiencies in performance; some represent inherent risks that require continuous monitoring. Refer to *Section C of Part 3, Other Information*, for a detailed discussion of these challenges, including Treasury's progress toward addressing them.

OIG-Identified Treasury-Wide Management Challenges

- Cyber Threats
- Management of Treasury's Authorities Intended to Support and Improve the Economy
- Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments
- Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement
- Gulf Coast Restoration Trust Fund Administration

TIGTA-Identified IRS Management Challenges

- Security for Taxpayer Data and IRS Employees
- Implementing ACA and Other Tax Law Changes
- Tax Compliance Initiatives
- Fraudulent Claims and Improper Payments
- Achieving Program Efficiencies and Cost Savings

⁷ SIGTARP does not provide an annual report to the Secretary because it provides oversight over a program that spans multiple agencies.

- Improving Tax Systems and Online Services
- Providing Quality Taxpayer Service Operations
- Globalization
- Taxpayer Protection and Rights
- Human Capital

FY 2016 Outlook

In considering the challenges and risks to successful mission delivery facing the Department, Treasury identified several initiatives to pursue in FY 2016, including two new agency priority goals (APGs) for FY 2016-2017:

- Increase secure self-service options for taxpayers (FY 2016-2017 APG led by the IRS).
- Develop and promote financial transparency policies and their adoption by leading, in collaboration with OMB, the government-wide implementation of the DATA Act (FY 2016-2017 APG led by the Fiscal Assistant Secretary).
- Continue Treasury's efforts to expand access to credit and bring private capital back into the housing market by completing comprehensive housing finance reform; securing the reauthorization of the SSBCI and CDFI Bond Guarantee programs; and expanding access to long-term savings opportunities for more Americans by continuing to improve the *myRA* program and increase its enrollments.
- Secure congressional approval of the 2010 IMF quota and governance reform proposal and confirmations of nominations to ensure stable and effective U.S. representation at International Financial Institutions.
- Present to the President key findings and potential opportunities to improve the student loan collections process for defaulted borrowers.
- Secure the funding necessary for the IRS to maintain a balanced enforcement program and deliver the web-first service model.
- Increase coordination and information sharing efforts across government and private sectors to protect the stability of the financial system and the interests of American citizens.
- Partner with OMB and the General Services Administration to increase the flexibility with which agencies can acquire and share data sets and analytic capability.
- Transform the Departmental Offices' hiring process using Lean Six Sigma process improvement methodologies, providing best practices for other organizations and making Treasury more competitive as an employer.

Internal Revenue Service

FY 2017

President's Budget

February 9, 2016

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Internal Revenue Service

Section 1 - Purpose

1A – Mission Statement

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

1.1 – Appropriation Detail Table by Appropriation and Budget Activity

Dollars in thousands

Internal Revenue Service		FY 2015 Actual		FY 2016 Enacted ¹		FY 2017 Request		Change FY 2016 to FY 2017 Request		% Change FY 2016 to FY 2017 Request	
Appropriated Resources		FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:											
Taxpayer Services		27,476	\$2,173,684	30,370	\$2,333,376	31,056	\$2,406,318	686	\$72,942	2.26%	3.13%
Pre-Filing Taxpayer Assistance and Education		5,349	609,196	5,499	629,920	5,532	643,197	33	\$13,277	0.60%	2.11%
Filing and Account Services		22,127	1,564,488	24,871	1,703,456	25,524	1,763,121	653	59,665	2.63%	3.50%
Enforcement		39,708	\$4,767,563	38,840	\$4,864,936	41,028	\$5,216,263	2,188	\$351,327	5.63%	7.22%
Investigations		3,399	601,665	3,425	604,620	3,849	714,208	424	109,588	12.38%	18.13%
Exam and Collections		35,258	4,018,292	34,402	4,108,566	36,163	4,347,684	1,761	239,118	5.12%	5.82%
Regulatory		1,051	147,606	1,013	151,750	1,016	154,371	3	2,621	0.30%	1.73%
Operations Support		10,614	\$3,601,436	11,922	\$3,746,688	12,250	\$4,314,099	328	\$567,411	2.75%	15.14%
Infrastructure			833,846		832,543		895,094		62,551		7.51%
Shared Services and Support		5,013	1,126,230	5,231	1,141,485	5,257	1,197,954	26	56,469	0.50%	4.95%
Information Services		5,601	1,641,360	6,691	1,772,660	6,993	2,221,051	302	448,391	4.51%	25.29%
Business Systems Modernization		309	\$107,745	440	\$290,000	469	\$343,415	29	\$53,415	6.59%	18.42%
Subtotal New Appropriated Resources		78,107	\$10,650,428	81,572	\$11,235,000	84,803	\$12,280,095	3,231	\$1,045,095	3.96%	9.30%
Other Resources:											
Reimbursables		612	103,474	643	133,987	675	140,686	32	6,699	4.98%	5.00%
Offsetting Collections - Non Reimbursables		11	10,314	12	42,797	12	44,937		2,140		5.00%
User Fees		1,344	438,557	876	509,309	1,530	399,730	654	(109,579)	74.66%	-21.52%
Recovery from Prior Years			1,908								
Unobligated Balances from Prior Years		428	294,625		453,357		384,544		(68,813)		-15.18%
Transfers In/Out ²			7				(5,000)		(5,000)		
Resources from Other Accounts ³		290		2		2					
Subtotal Other Resources		2,685	\$848,885	1,533	\$1,139,450	2,219	\$964,897	686	(\$174,553)	44.75%	-15.32%
Total Budgetary Resources		80,792	\$11,499,313	83,105	\$12,374,450	87,022	\$13,244,992	3,917	\$870,542	4.71%	7.03%

¹FY 2016 Enacted includes \$290 million in Section 113 Administrative Provision funding in the following amounts: \$176.8 million in Taxpayer Services, \$4.9 million in Enforcement, and \$108.2 million in Operations Support.

²Resources from Transfers In/Out include a FY 2015 transfers between IRS and the Office of National Drug Control Policy (ONDCP) High Intensity Drug Trafficking Area (HIDTA) Program (obligations \$7 thousand), and a 2017 transfer out to the Alcohol and Tobacco Tax and Trade Bureau (TTB) (\$5 million).

³Resources from Other Accounts include Other Direct FTE funded by the Department of Health and Human Services (287 FTE in FY 2015) and the Federal Highway Administration (3 FTE for FY 2015, and 2 FTE projected for FY 2016 and FY 2017).

1B – Vision, Priorities, and Context

Improving Tax Administration

The IRS administers the nation’s tax laws and collects the revenue to fund the government. In fiscal year (FY) 2015, the IRS processed 244 million tax returns and other forms, and collected \$3.3 trillion in gross taxes (gross receipts before tax refunds of \$403 billion), equating to 93 percent of total federal government receipts. The Budget will allow the IRS to make progress in rebuilding the robust capabilities necessary to administer the tax system, and make new investments to keep pace with technology, taxpayer expectations, criminal activity related to stolen identity/refund fraud, and preventing cyber crime. The IRS is focused on providing a more integrated and secure delivery of taxpayer services through the same efficient, customer-focused channels, that taxpayers have come to expect from other financial institutions. The IRS is also working toward a more streamlined compliance program that identifies issues sooner and resolves them faster. These plans are part of the IRS Future State Vision.

Customer feedback indicates the desire for more online tools to facilitate the delivery of taxpayer services. In the IRS Oversight Board’s 2015 Taxpayer Attitude Survey, 84 percent of taxpayers stated that they were likely to use the IRS website, and 85 percent of taxpayers who were under the age of 35 said IRS applications on mobile devices such as smartphones are valuable. To address this customer feedback, “increasing secure self-service options for taxpayers” was established as an Agency Priority Goal and investments in the FY 2017 request to enhance IRS’s online services will directly address this goal.

The IRS plans to more effectively and efficiently deliver services to more people at a lower cost, increase compliance, prepare for the future, and prevent identity theft. The plan to improve tax administration requires the IRS to invest in the following areas:

- **Integrated and Secure Taxpayer Experience**
 - Faster, simpler problem solving tools to identify issues such as math errors, decreasing taxpayer burden, and reducing the risk of penalties and interest;
 - Improved capabilities for both taxpayers and IRS employees to address issues through enhanced digital services; and
 - Communication channels that reduce wait times and empower taxpayers to take more control of their tax account. This includes technology enabling personal service without being physically present in the same location.
- **Streamlined Compliance Program**
 - Leveraging better data analytics to improve voluntary compliance;
 - Mechanisms and case management capabilities that enable activities to minimize taxpayer burden;
 - A shortened enforcement cycle so taxpayers quickly know their issues are resolved with as few contacts as necessary; and

- Improved outreach and notifications prior to and during filing coupled with applications allowing taxpayers to validate and/or self-correct their accounts.
- **Stronger Foundational Capabilities** – Information technology building blocks to deliver services and enforcement actions efficiently and effectively; deliberate workforce planning to attract and retain a skilled workforce; and an enhanced learning evaluation technology and dynamic enterprise knowledge management system.
- **Strong Information and System Security** – Secure technologies to provide maximum protection of taxpayer information, combat identity theft, provide timely victim assistance, and allow for appropriate enforcement.

New Investment Review Process

IRS senior leadership developed and implemented a new investment process to ensure proposed investments align with the IRS Strategic Plan. The IRS leadership prioritized its new investments based on their alignment with the IRS's strategic themes and this submission includes the IRS's highest priority investments. This includes an array of lower cost, online services; early error detection; online self-correction tools; enhanced cybersecurity; and compressed, more virtualized enforcement with minimal taxpayer burden.

Strategic Goals	IRS Strategic Objectives	IRS Strategic Theme
<u>Strategic Goal I:</u> Deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance.	<ul style="list-style-type: none"> - Design tailored service approaches with a focus on digital customer service to meet taxpayer needs, preferences, and compliance behaviors in order to facilitate voluntary compliance. - Provide timely assistance through a seamless, multichannel service environment to encourage taxpayers to meet their tax obligations and accurately resolve their issues. - Deliver clear and focused outreach, communications and education programs to assist taxpayer understanding of tax responsibilities and awareness of emerging tax laws. 	Theme 1 - Facilitate voluntary compliance by empowering taxpayers with secure innovative tools and support Theme 3- Leverage and collaborate with external stakeholders
<u>Strategic Goal II:</u> Effectively enforce the law to ensure compliance with tax responsibilities and combat fraud.	<ul style="list-style-type: none"> - Enforce domestic and international compliance by strengthening expertise, adopting innovative approaches, and streamlining procedures. - Identify trends, detect high-risk areas of non-compliance, and prioritize enforcement approaches by applying research and advanced analytics. 	Theme 2 -Understand non-compliant taxpayer behavior, and develop approaches to deter and change it
<u>Strategic Foundation for Organizational Excellence:</u> Invest in the IRS workforce and the foundational capabilities necessary to achieve its mission and deliver high performance for taxpayers and stakeholders.	<ul style="list-style-type: none"> - Invest in building a highly talented, diverse workforce & cultivating an inclusive & collaborative environment. - Realize operational efficiencies and effectively manage costs by improving enterprise-wide resource allocation and streamlining processes. - Implement enterprise-wide analytics and research capabilities to make timely, informed decisions. 	Theme 4 - Cultivate a well-equipped, diverse, skilled and flexible workforce Theme 5 - Select highest value work using data analytics and a robust feedback loop Theme 6 – Drive more agility, efficiency, and effectiveness in IRS Operations Focus Area – Strengthen cybersecurity and eliminate identity theft

Themes in bold are supported by investments in the FY 2017 Budget Request.

Treasury Strategic and Agency Priority Goals

The IRS FY 2017 Budget supports the following Department of the Treasury Strategic and Agency Priority Goals:

- ***Treasury Strategic Goal:*** Fairly and effectively reform and modernize federal financial management, accounting, and tax systems.
- ***Treasury Strategic Objective:*** Pursue tax reform, implement the Patient Protection and Affordable Care Act (ACA, Public Law 111-148) and Foreign Account Tax Compliance Act (FATCA, Public Law 111-147), and improve the execution of the tax code.
- ***Treasury Strategic Goal:*** Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction.
- ***Treasury Strategic Objective:*** Create a culture of service through relentless pursuit of customer value.

Agency Priority Goal: Increasing Secure Self-Service Options for Taxpayers:

The IRS will introduce self-service and electronic-service taxpayer options to enable taxpayers to securely authenticate, view account status, view and print tax records online, pay outstanding debts, enter into installment agreements, get tax law information, and easily access all parts of IRS.gov. By September 2017, the percentage of service interactions processed electronically should reach 32%, and the percentage of electronic interactions completed by taxpayers should reach 47%.

The tax administration system of the future will promote and improve voluntary compliance by delivering better service to more people at a lower cost. Taxpayers will have a variety of service options with an emphasis on online tools and support, and will be able to obtain service when and where they want it. The IRS will strive to accelerate enforcement processes through early issue detection, resolution, and minimal taxpayer burden, while simultaneously maximizing revenue by targeting the highest value work. To achieve this future state of tax administration the IRS has established six strategic themes and one focus area to guide its investment strategy and resource allocation. These themes align with existing Strategic Goals and Objectives and provide a clearer articulation of the strategic outcomes the IRS seeks to achieve in the future. The FY 2017 Budget aligns new investments to subsets of these themes:

Theme 1: Facilitate voluntary compliance by empowering taxpayers with secure innovative tools and support - Investments that support this theme will drive the IRS towards better delivery of tax administration by developing a more taxpayer-centric service and compliance model with a variety of self-service options and early error detection and resolution tools to reduce taxpayer burden. Some of the cutting-edge technologies requested are:

- Secure e-authentication technologies to improve the identification of individual taxpayers as well as third parties and businesses;

- Event Driven Architecture (EDA) to transform the IRS IT software architecture to a more efficient and responsive means of processing tax returns, collecting tax revenue, and issuing tax refunds by treating each transaction as a single event as opposed to batch processing;
- Enterprise Case Management (ECM) to establish a single, integrated case management system; and
- Expanded functionality to critical systems projects such as the Customer Account Data Engine (CADE) 2 and Modernized E-file (MeF), including the electronic receipt and processing of Form 1040X, *Amended U.S. Individual Income Tax Return*.

Theme 2: Understand non-compliant taxpayer behavior and develop approaches to deter and change it - These investments will leverage data and behavioral analytics to target the most effective non-compliance work in collection and enforcement while delivering a compressed, efficient enforcement cycle with early, upfront error detection and resolution. These investments will fund the use of network analysis to investigate abusive tax schemes, the enforcement and deterrence of non-compliance abroad through the implementation of the FATCA, and appropriate, balanced coverage by improving audit and collection coverage rates.

With the next generation of analytics, the IRS will improve tax administration and the taxpayer experience by evaluating the effectiveness of data-driven approaches for identifying and resolving taxpayer issues accurately and early, thereby reducing taxpayer burden. The IRS will take data analytics into the tax-exempt sector by digitizing the Form 990 (Return of Organization Exempt from Income Tax), which will yield faster processing of returns and more data-driven decisions on enforcement treatments.

Theme 3: Leverage and collaborate with external stakeholders - While the IRS is not requesting new investments in this theme, the IRS is continuing existing efforts to improve partnerships with all its stakeholders.

Theme 4: Cultivate a well-equipped, diverse, skilled workforce - Although no new investments are being requested for this theme, the IRS will continue to advance it using available resources. Deliberate workforce planning and knowledge management are cornerstones to the IRS's ability to execute a new era of tax administration. Knowledge management and a diverse, skilled workforce will be achieved through active corporate workforce planning that identifies and closes skill gaps across the organization.

Theme 5: Select highest value work using data analytics and a robust feedback loop - The IRS is not requesting new investments for this theme. With the next generation of analytics, the IRS will continuously improve tax administration and the taxpayer experience by evaluating the effectiveness of data-driven approaches for identifying and resolving taxpayer issues accurately and early. This theme focuses on harnessing data to inform work streams and enhance case selection capabilities and also includes an internal and external feedback loop to avert or address compliance issues quickly.

Theme 6: Drive more agility, efficiency, and effectiveness in IRS Operations - Ensures compliance with Federal Records Act of 1950 as amended (44 U.S.C. Chapter 31), which requires all systems to implement an electronic retention policy and the Managing Government Records Directive (M-12-18) which instructs agencies to manage electronic records more efficiently and effectively. Investments in this area enable faster responses to customers. Investments include:

- A robust electronic records management program;
- New software for processing information returns from third parties;
- Improvements to the IRS revenue financial accounting systems; and
- Funds to keep IT infrastructure current for existing and newly deployed systems.

These investments will increase organizational performance by reducing and eliminating manual processes and improving the reliability of enterprise infrastructure to support new and changing requirements from legislation, presidential orders, Government Accountability Office (GAO) recommendations, and demands from taxpayers; and helping to secure the IRS's people and facilities.

Focus Area: Strengthen cybersecurity and eliminate identity theft –Provides investments that combat Stolen Identity Refund Fraud and includes detection and prevention, assistance to victims, and law enforcement. In addition, the IRS plans to institute multiple layers of electronic authentication, including multi-factor security for access to taxpayer-facing systems and authentication at the time of filing. The IRS will enhance the security of its networks via the use of a cyber-threat forensics, implementation of a comprehensive patch management system, and the adoption of government-wide information security continuous monitoring tools as parts of a layered defense.

Leveraging Funds to Advance Progress in Strategic Areas

The Consolidated Appropriations Act of 2016 provided much needed funding to improve performance in customer (telephone) Level of Service, to enhance cybersecurity, and to prevent identity theft and refund fraud. The IRS plans to build upon these funding levels to move forward with implementing a Future State Vision that delivers a better overall experience for the taxpayer.

Despite this increase for these specific areas, other areas of the IRS remain under-resourced compared to FY 2010 levels and continue to experience performance issues. For example, reductions in the enforcement budget resulted in a reduced examination program. The number of revenue agents fell seven percent, from 11,422 in FY 2014 to 10,657 in FY 2015, the lowest level in more than a decade. The correspondence audit program declined by 275 FTE in FY 2015, which limited the impact on voluntary compliance. The related loss in closures is approximately 109,129 cases and potentially \$539 million in revenue. In addition, examinations of large corporate taxpayers (with assets of more than \$10 million) declined to only 7,448 in FY 2015, also the fewest in over a decade.

Despite the three percent decline in its FY 2015 budget from the year before, the IRS made investment decisions that achieved positive results during the year in key strategic areas.

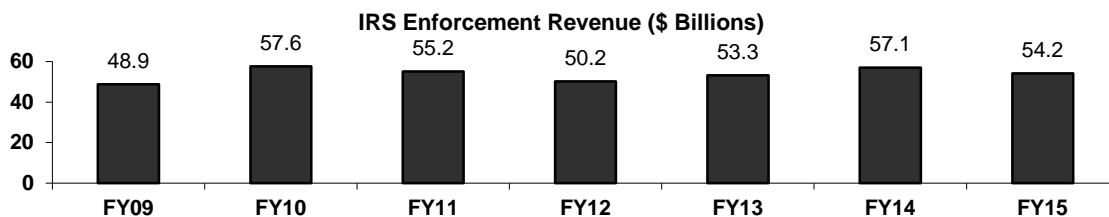
Theme 1 - Facilitate voluntary compliance by empowering taxpayers with secure innovative tools and support - The IRS is building an environment of multiple digital service options. In FY 2015, the IRS launched or enhanced an array of services:

- **IRS2Go Mobile, Version 5** which was launched at the start of the 2015 filing season, enables taxpayers to make electronic payments, find the nearest location offering free volunteer tax help, and uses responsive design to update the app for screen sizes of multiple devices. In FY 2015, IRS2GO was downloaded more than 2.3 million times and had over 3.8 million active users.
- **Third Party Data Services Pilot** enables the IRS to share refund status data with tax preparation firms, tax preparation software, and state and federal agencies that require individual taxpayer information. All information sharing was conducted with prior taxpayer consent.
- **Online Payment Agreement (OPA)** updates improved the individual taxpayer's user experience for a number of functions including log-in and authentication, expansion of the number of taxpayers eligible to set up installment agreements, and added analytics to better understand taxpayer experience within the application. Since its launch, more than 200,000 OPA agreements were completed representing more than \$650 million in balances owed.
- **IRS Direct Pay, Release 3** adds responsive design and enhancements for guest users (i.e., those taxpayers who do not create a username and password); email confirmations of payments, cancellations, or reversals, and a Spanish language version. Since the November 2013 launch, the IRS has collected \$17 billion through this application, of which \$14.9 billion was collected in FY 2015.

- **Directory of Federal Preparers with Credentials and Select Qualifications** provides a lookup tool to find return preparers by location. Since its launch in January 2015, customers performed more than 200,000 searches.
- **Payment Mix Comparison Tool** enables preparers, on behalf of the business taxpayer community, to compare the portion of gross receipts from credit card receipts to the business plans of similar businesses from prior years. This tool is intended to encourage accurate reporting by payment recipients and help close the tax gap.
- **Optimized Virtual Service Technology Delivery (VSD)** allows taxpayers to have face-to-face interactions with an IRS assistor who is working in a remote location by using video monitors stationed at non-IRS owned taxpayer support sites. So far, IRS has deployed this technology at five sites.

In addition, the IRS continues to implement the ACA. In FY 2015, the IRS successfully implemented two major provisions: the refundable premium tax credit and individual shared responsibility for both individual taxpayer returns and information returns from employers and insurers.

Theme 2 - Understand non-compliant taxpayer behavior and develop approaches to deter and change it - The IRS collected \$54.2 billion during FY 2015 through its enforcement programs.



In addition, the IRS:

- Completed 4,486 criminal investigations and obtained 2,879 convictions;
- Identified 1,281 questionable refund schemes reflecting \$1.2 billion in potentially fraudulent refunds claims and also imposed limits on the number of refunds that can be deposited in a single bank account. As a result, 205,019 refunds totaling \$863 million were converted to paper. and
- Received 28,635 taxpayer applications from the Offshore Voluntary Compliance Disclosure Program, which permits taxpayers to voluntarily disclose that they failed to report income in offshore bank accounts.

In moving towards three aspects of Theme 2 - integrated case management, early anomaly detection, and a compressed enforcement cycle - the IRS will establish a program management office to roll out the Enterprise Case Management system, which will incorporate business rules and filters for better case selection for exam, collection, and issue identification. Additionally, the IRS has re-engineered the examination process for corporate

taxpayers. The IRS uses data-driven analysis to develop early warnings of emerging areas of tax non-compliance.

A centerpiece of the IRS's enforcement strategy is the continued implementation of the FATCA. The IRS added additional capabilities to the FATCA registration website and released second-generation software for registration. It released the International Data Exchange Service – which consists of testing with foreign partners to enable them to conduct reporting. The IRS also initiated and deployed the International Compliance Management Model (ICMM), a new system that receives, processes, manages, and stores FATCA data and modernizes communications with foreign governments that have Intergovernmental Agreements (IGAs) and Competent Authority Arrangements (CAAs). ICMM processes FATCA reports filed electronically or on paper.

The IRS also implemented an initiative to improve the Fraud Referral Program and examinations of 501(c) tax exempt entities, allowing the IRS to identify 19 entities involved in illicit terrorist financing schemes.

Theme 3: Leverage and collaborate with external stakeholders - This past year, the IRS launched a major campaign in partnership with tax professional organizations focused on helping taxpayers choose tax return preparers wisely, while understanding the different categories of tax preparers. The IRS also used social media tools, such as YouTube, Twitter, and podcasts to share the latest information on tax changes, initiatives, products, and services. The IRS partnered with Volunteer Income Tax Assistance/Tax Counseling for the Elderly partners, to provide more than 3.7 million taxpayers with free tax preparation. The IRS introduced and launched a new Taxpayer Bill of Rights (TBOR) to enhance the taxpayers' understanding of their rights, incorporating the existing rights in the tax code, and grouping them into ten easily understandable categories. In addition, the IRS worked with key partners and stakeholders to establish a Security Summit Group this past March, composed of two dozen public and private sector leaders. It included the chief executive officers of Intuit, H&R Block and other tax and financial product companies. On June 11, 2015, Commissioner Koskinen joined the tax industry and state tax authorities to announce several Security Summit Group efforts to combat stolen identity refund fraud.

Focus Area: Strengthening cybersecurity and preventing identify theft/refund fraud has been an IRS priority for many years. While staying ahead of adaptive adversaries is a constant challenge and requires extreme vigilance, the IRS continues to build robust programs in these areas and has had success despite recent issues across the government. In FY 2015, the IRS identified and shut down 1,474 false IRS websites and deployed the second release of e-Authentication software, which handled a 275 percent increase in traffic from the same period last year, with 7.3 million unique users (registered and guest) and, 34.4 million proofing transactions requested.

Get Transcript provides a current digital display of an individual's tax record across five transcript types using enterprise-wide authentication. Since the January 2014 launch, over 45 million transcripts have been generated through this application. In FY 2015, the IRS experienced unauthorized accesses on the Get Transcript application when 390,000 attempts to access taxpayer data were made, of which nearly three out of five were successful. The

IRS sent letters to the affected taxpayers informing them of the issue, and offered victims free credit monitoring services. Within five days of recognizing the issue, the IRS also notified Congress. As a result of this response, the IRS was able to minimize unauthorized access. During the 2015 filing season, more than 23 million taxpayers successfully accessed their transcripts online and received immediate service. The Get Transcript application was shut down to prevent additional breaches. The IRS has partnered with the U.S. Digital Service to develop new authorization methodologies using cutting-edge security platforms. The IRS currently plans to put Get Transcript back online during calendar year 2016.

In addition to the aforementioned cybersecurity efforts, in 2014 the IRS deployed a new fraud/anomaly detection system, the Return Review Program (RRP), and successfully executed an ID theft/fraudulent return pilot project. By processing all refund returns through multiple analytic models and business rules, the RRP system scores and selects suspicious returns that have a high probability of identity-theft related fraud. RRP has successfully loaded and scored over 98 million electronic refund returns. Of those returns, nearly 800,000 were identified as potential identity theft fraud, representing potentially more than \$4.7 billion in government revenues protected. RRP was able to reduce the amount of manual analysis work by 20 percent, identifying suspicious cases earlier in the process. In its inaugural filing season, RRP operated without interruption

In addition to the identity theft prevention efforts focused on screening returns as potentially fraudulent, the IRS was also successful in stopping actual fraudulent refunds. The IRS stopped more than 1.7 million fraudulent returns with associated refunds of more than \$14 billion. The IRS prisoner program continues to be successful in preventing fraudulent refunds; the IRS stopped more than 30,000 fraudulent prisoner returns with associated refunds of more than \$1.2 billion.

The Electronic Fraud Detection System (EFDS) which is the IRS's current fraud protection system, has successfully loaded and analyzed 125 million individual income tax returns via Modernized e-File and 12.8 million paper returns in FY 2015. Of that number, nearly 1.1 million returns were identified as fraudulent, representing \$6.8 billion in revenue protection.

The IRS also continues to refine and develop new identity theft filters based on analytical models and data validation. As a result, potentially fraudulent returns are stopped much earlier in processing allowing the IRS to quickly resolve cases for identity theft victims. In FY 2015, the IRS selected 1,987,975 returns for further analysis via its enhanced analytics compared to 1,570,008 in FY 2014 (a 27 percent increase).

Tax Statistics at a Glance

Tax Stats at a Glance	FY 2014	FY 2015
Total Returns Processed	199 million	201 million
Total Returns and Other Forms Processed	242 million	244 million
Total Revenue Collected	\$3.1 trillion	\$3.3 trillion
Enforcement Revenue Collected	57.1 billion	54.2 billion
Total Refunds and Outlays	\$374 billion	\$403 billion
Avg. Individual Refund	\$2,748	\$2,735
e-File Rate - Individual	84.1%	85.3%
e-File Rate - Business	43.1%	47.0%
IRS.gov Page Views	1.8 billion	2.0 billion
"Where's My Refund?" Usage	189.1 million	234.7 million
Number of Downloads from IRS.gov	117.8 million	132.6 million

Tax Administration is at Risk

The IRS made substantial progress related to its strategic themes and will make additional progress as a result of the resources provided in FY 2016. Nonetheless, the IRS's progress with regard to preparing for the future state of tax administration proves challenging without additional resources to modernize its systems and deliver the type of customer service expected of any financial services provider. The world is changing, taxpayer expectations are changing, and given the continuing budget challenges, the IRS needs to look at the future in a more comprehensive way, and consider how it can take advantage of the latest technology to move the entire taxpayer experience to a new level. The IRS will do this in a way that meets the needs of taxpayers, helps IRS employees in their jobs, and is cost-effective for the government. A key part of this effort is for taxpayers to have a more complete online experience for all of their transactions with the IRS. The organization's ability to roll out capabilities such as enhanced digital services will prove very challenging without these additional resources.

The Road Ahead

The investments in this Budget request are needed for the IRS to succeed in the future with regard to tax administration, and the IRS will continue to target its investments towards the IRS's strategic themes and priorities. The IRS is also committed to a rigorous and continuous planning and investment decision process. To that end, the IRS will enhance its performance management process to monitor its progress towards achieving a new, improved taxpayer experience and streamlined compliance that aims to detecting errors and resolving issues as early as possible with the least amount of taxpayer burden. Efforts started in FY 2015 to identify a more definitive suite of enterprise goals and supporting intermediate performance measures to track progress toward the IRS future state vision and strategic themes have continued into FY 2016. These enterprise goals and intermediate measures will be finalized in FY 2016 and then woven into an effective and transparent strategic performance management system that will help guide senior level decision making at the IRS.

Program Integrity Cap Adjustment

In addition to the base appropriations request of \$11.8 billion, the FY 2017 Budget proposes a \$515 million cap adjustment to fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's and the Alcohol and Tobacco Tax and Trade Bureau's (TTB) overall tax enforcement program. The proposed FY 2017 enforcement investments will yield additional revenue as described within this document. The Budget also proposes additional cap adjustments for new investments each year through FY 2021 that are sustained with additional adjustments through 2026 to account for economic factors, such as inflation. The investments will generate approximately \$64 billion in additional revenue over 10 years and will cost about \$18 billion for an estimated net savings of \$46 billion. Notably, the return on investment (ROI) is likely understated because it only includes amounts directly recovered; it does not reflect the effect that enhanced enforcement has on deterring non-compliance. This deterrent effect helps to ensure the continued payment of over \$3 trillion in taxes paid each year without direct enforcement measures.

Return on Investment (ROI) for FY 2017 Enforcement Investments

Enforcement efforts increase revenue by encouraging voluntary compliance for those taxpayers who would otherwise seek to avoid meeting their tax obligations under the law. The IRS calculates a return on investment for both revenue protecting investments and revenue generating investments. Protected revenue is revenue the IRS protects from being refunded erroneously. It is associated with activities that occur prior to the issuance of a taxpayer's refund, including the identification of fraud and questionable returns. Revenue generated is from compliance efforts that yield direct, measurable results through enforcement activities such as examination and collection returns.

FY 2017 Revenue-Producing Investments

The FY 2017 budget includes \$388.1 million in investments for traditional enforcement and strategic revenue programs, which are projected to generate \$2.6 billion in revenue once the investments reaches full potential in FY 2019, the expected total ROI is \$5.6 to \$1.

Return on Investment (ROI) for IRS FY 2017 Enforcement Initiatives

Dollars in Millions	First Year (FY 2017)			Full Performance (FY 2019)		
	Cost	Revenue	ROI	Cost	Revenue	ROI
FY 2017 Revenue Producing Enforcement Initiatives	\$388.1	\$397.5	1.0	\$475.1	\$2,643.1	5.6
Cap Adjustment Enforcement Initiatives	\$388.1	\$397.5	1.0	\$475.1	\$2,643.1	5.6
Immediate and Directly Measurable Revenue-Producing Initiatives	\$207.6	\$397.5	1.9	\$282.6	\$2,643.1	9.4
Increase Collection Coverage	90.5	160.5	1.8	127.3	1,216.4	9.6
Increase Audit Coverage	117.1	237.0	2.0	155.3	1,426.7	9.2
Strategic Revenue-Producing Initiatives (which do not have immediately measurable ROI, but clear long-term revenue effects)	\$180.5	\$0.0	0.0	\$192.5	\$0.0	0.0
Digitizing Form 990	2.4	0.0	0.0	3.1	0.0	0.0
FATCA: Implement, Expand Filing Coverage, and Combat Criminal Non-compliance	126.7	0.0	0.0	141.6	0.0	0.0
Pursue Employment Tax and Abusive Tax Schemes	15.8	0.0	0.0	10.1	0.0	0.0
Increase Investigations of Transnational Organized Crime (TOC)	35.6	0.0	0.0	37.7	0.0	0.0

The FY 2017 budget also includes an additional \$180.5 million to support strategic revenue-producing investments. These investments do not have an immediately measureable ROI, but have clear long-term revenue effects.

FY 2017 Revenue-Protecting Investments

In addition to the traditional revenue-producing investments, IRS activities to prevent the issuance of fraudulent returns related to identify theft will allow the IRS to identify and resolve issues before issuing a taxpayer's refund. While this number is not currently included in the IRS's traditional ROI calculations, investment in these activities is projected to protect \$1.5 billion in revenue at a lower cost than the downstream enforcement actions and achieve an FY 2019 ROI of \$12.3 to \$1.

FY 2017 Revenue-Protecting Enforcement Initiatives

Dollars in Millions	First Year (FY 2017)			Full Performance (FY 2019)		
	Cost	Revenue	ROI	Cost	Revenue	ROI
Revenue Protecting Initiatives (which protect taxpayer information, prevents identity theft, and results in long-term revenue protection)	\$101.3	\$676.0	6.7	\$124.3	\$1,526.0	12.3
Before Cap Adjustment Revenue Protecting Initiative	\$90.0	\$612.0	6.8	\$107.6	\$1,146.0	10.7
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	90.0	612.0	6.8	107.6	1,146.0	10.7
Cap Adjustment Revenue Protecting Initiative	\$11.3	\$64.0	5.7	\$16.7	\$380.0	22.8
Increase Audit Coverage (revenue-protecting portion)	11.3	64.0	5.7	16.7	380.0	22.8

Section 2 – Budget Adjustments and Appropriations Language

The IRS Budget Request for FY 2017 is \$11,765,347,000 in direct appropriations and 82,679 FTE. The request represents an increase of \$530,347,000, or 4.72 percent, and 1,107 FTE more than the FY 2016 Enacted level of \$11,235,000 and 81,572 FTE. The total Budget Request including the program integrity cap adjustment is \$12,280,095 and 84,803 FTE.

2.1 – Budget Adjustments Table

Summary of Proposed FY 2017 Request (Dollars in Thousands)

Internal Revenue Service	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	78,919	\$10,945,000
FY 2016 Administrative Provision 113	2,653	\$290,000
Improve Taxpayer Service	2,483	178,422
Cyber Security	170	95,442
Strengthening the Prevention of Identity Theft		16,136
FY 2016 Enacted	81,572	\$11,235,000
Changes to Base:		
Maintaining Current Levels (MCLs):		\$170,348
Pay Annualization		26,975
Pay Raise		99,926
Non-Pay		43,447
Efficiencies/Savings:	(72)	(\$3,766)
Increase e-File Savings	(72)	(3,766)
Subtotal FY 2017 Changes to Base	(72)	\$166,582
FY 2017 Current Services (Base)	81,500	\$11,401,582
Program Increases:		
Budget Request Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Implement Changes to Deliver Tax Credits and Other Requirements for the Affordable Care Act		153,240
Leverage New Technologies to Advance the IRS Mission	29	53,488
Improve Taxpayer Service	613	48,455
Subtotal	642	\$255,183
<i>Drive More Agility, Efficiency, and Effectiveness in IRS Operations</i>		
Enterprise Electronic Records Management Solution	46	18,543
Subtotal	46	\$18,543
<i>Focus Area: Strengthen Cybersecurity and Eliminate Identity Theft</i>		
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	491	90,039
Subtotal	491	\$90,039
Subtotal FY 2017 Budget Request Program Increases	1,179	\$363,765
Total FY 2017 Total Budget Request	82,679	\$11,765,347
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	1,107	\$530,347
Percent Change FY 2017 Budget Request over FY 2016 Enacted	1.36%	4.72%
Cap Adjustment Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Enterprise Case Management	22	7,967
Subtotal	22	\$7,967
<i>Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It</i>		
Increase Collection Coverage	699	90,467
Increase Audit Coverage	856	128,435
Digitizing Form 990	7	2,378
FATCA: Implement, Expand Filing Coverage, and Combat Criminal Non-compliance	273	126,739
Pursue Employment Tax and Abusive Tax Schemes	37	15,786
Increase Investigations of Transnational Organized Crime (TOC)	130	35,564
Subtotal	2,002	\$399,369
<i>Drive More Agility, Efficiency, and Effectiveness in IRS Operations</i>		
Operations and Maintenance for Deployed Business Systems Modernization (BSM) Projects	73	92,174
Maintain Integrity of Revenue Financial Systems	27	10,238
Subtotal	100	\$102,412
<i>Alcohol and Tobacco Tax and Trade Bureau Transfer:</i>		
Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities		5,000
Subtotal		\$5,000
Subtotal FY 2017 Cap Adjustment Program Increases	2,124	\$514,748
Subtotal FY 2017 Total Program Increases Including Cap Adjustment	3,303	\$878,513
Total FY 2017 Total Budget Request Including Cap Adjustment	84,803	\$12,280,095
Dollar/FTE Change FY 2017 Budget Request including PIC over FY 2016 Enacted	3,231	\$1,045,095
Percent Change FY 2017 Budget Request including PIC FY 2016 Enacted	3.96%	9.30%

2A – Budget Increases and Decreases Description

FY 2017 Investment Labor Costing Methodology

The IRS uses a variety of methods to calculate the cost of its investments. Investments that require labor funding are calculated by converting the workload to the number and type of staff (e.g., Revenue Agents, Revenue Officers, or Special Agents) needed to deliver targeted performance goals. Once the number of full-time equivalents (FTE) and type of staff are determined, the cost of the FTE is estimated using a Unit Cost Rate (UCR) calculator, a tool for projecting FTE salary and non-salary support costs and/or savings. The UCR calculator fully costs the salary, benefits, and support costs needed for each FTE, based on known averages.

The FY 2017 investment FTE were estimated assuming an April 1 hire date except for front-line positions in Submission Processing and Account Management and Assistance – Electronic/Correspondence Assistance, which assumed an October 1 hire date. The primary function of the Submission Processing and Account Management and Assistance taxpayer service programs is to assist taxpayers during the filing season. They are not dependent on the typical hiring and training process affecting other IRS programs because there is a large existing seasonal workforce that is available to work additional hours as resources become available. To fully fund the FTE requested in this Budget request using an April 1 hire date, the IRS will require an additional \$256 million and 2,601 FTE for annualization in FY 2018.

FY 2016 Administrative Provision 113 (Public Law 114-113)

+\$290,000,000 / +2,653 FTE

Section 113 of the Department of the Treasury Appropriations Act of 2016 provided \$290,000,000 to: measurably improve the customer service representative level of service (LOS) rate (the percentage of callers to the IRS who receive service from an assistor or automated system), improve the identification and prevention of refund fraud and identity theft, and enhance cybersecurity to safeguard taxpayer data.

These resources, supplemented with user fees, will allow the IRS to achieve a 65 percent LOS during the filing season and 47 percent for FY 2016; this is a substantial improvement over FY 2015 levels. These resources will also increase staff and support technology innovation efforts in relation to cybersecurity; and improve methods of detecting and preventing identity theft/refund fraud patterns and schemes.

Maintaining Current Levels (MCLs)

+\$170,348,000 / 0 FTE

Pay Annualization +\$26,975,000 / 0 FTE

Funds are requested for annualization of the January 2016 pay raise.

Pay Raise +\$99,926,000 / 0 FTE

Funds are requested for the proposed January 2017 pay raise.

Non-Pay +\$43,447,000 / 0 FTE

Funds are requested for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

Efficiencies and Savings

-\$3,766,000 / -72 FTE

Increase e-File Savings -\$3,766,000 / -72 FTE

These savings are a result of reduced paper returns. The IRS projects a total of 1,026,100 fewer returns filed on paper in FY 2017 (525,100 individual and 501,000 business returns).

Program Increases

FY 2017 Budget Request	+\$363,765,000	+1,179 FTE
FY 2017 Program Integrity Cap Adjustment	+\$514,748,000	+2,124 FTE
FY 2017 Budget Request Including Program Integrity Cap Adjustment	+\$878,513,000	+3,303 FTE

This section of the budget request is organized into themes. Each theme section provides an overview, and a description of challenges, and resources needed to support these themes. The IRS is moving toward a vision through a dynamic shift that is already being executed, and this budget request help steadily move the IRS toward accomplishing that vision.

The total FY 2017 budget request makes new investments in the following two themes and a focus area:

- **Theme 1:** Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support +\$255,183,000 / +642 FTE
- **Theme 6:** Drive More Agility and Efficiency in IRS Operations +\$18,543,000 / +46 FTE
- **Focus Area:** Strengthen Cybersecurity and Eliminate Identity Theft +\$90,039,000 / +491 FTE

The FY 2017 Program Integrity Cap Adjustment of +\$514,748,000 and +2,124 FTE consists of the following three themes and the TTB transfer:

- **Theme 1:** Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support +\$7,967,000 / +22 FTE
- **Theme 2:** Understand Non-Compliant Taxpayer Behavior, and Develop Approaches to Deter and Change It +\$399,369,000 / +2,002 FTE
- **Theme 6:** Drive More Agility and Efficiency in IRS Operations +\$102,412,000 / +100 FTE
- **Alcohol and Tobacco Tax and Trade Bureau Transfer** +\$5,000,000 / 0 FTE

Theme 1: Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support +\$263,150,000 / +664 FTE

Summary of Theme 1 Budget Request (by Component)

Initiative (dollars in thousands)	Implement Legislative Mandates		Facilitate Voluntary Compliance through Taxpayer Service		Develop Innovative Technology and Tools		Total Theme 1 Budget Request	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
Budget Request Program Increases	\$153,240		\$48,455	613.00	\$53,488	29.00	\$255,183	642.00
Implement Changes to Deliver Tax Credits and Other Requirements for the ACA	\$153,240						\$153,240	
Improve Taxpayer Service			\$48,455	613.00			\$48,455	613.00
Increase level of service (LOS)			41,420	590.00			41,420	590.00
Online Accounts			5,130	9.00			5,130	9.00
Other Direct Costs			1,905	14.00			1,905	14.00
Leverage New Technologies to Advance the IRS Mission					\$53,488	29.00	\$53,488	29.00
Expand business Systems Modernization					11,207	5.50	11,207	5.50
CADE-2					1,674	3.50	1,674	3.50
Web Applications					4,020		4,020	
Modernized e-File					4,549	2.00	4,549	2.00
Architecture, Integration and Management					61		61	
Management Reserve					903		903	
Event Driven Architecture					30,555	14.50	30,555	14.50
Enterprise Case Management (PMO)					11,726	9.00	11,726	9.00
Cap Adjustment Program Increases			\$7,967	22.00			\$7,967	22.00
Enterprise Case Management (PMO)			7,967	22.00			7,967	22.00
FY 2017 Total Program Increases	\$153,240		\$56,422	635.00	\$53,488	29.00	\$263,150	664.00

Voluntary compliance is the cornerstone of the nation's tax system, and is at its highest when the IRS is able to provide effective and timely service. Efforts associated with this theme will drive the IRS towards a new era of tax administration through taxpayer-centric service and compliance with a variety of self-service options, early error detection and resolution, and with minimal taxpayer burden.

In 2015, the IRS processed an estimated 27 million more returns than it did 17 years ago. Budget constraints affected customer service levels. Telephone Level of Service (LOS) dropped below 40 percent during the 2015 filing season, meaning more than 6 out of every 10 call attempts did not reach a live assistor. The number of taxpayers disconnected by the IRS phone system when it became overloaded with calls was over 17.682 million in FY 2015, compared with 1.401 million in FY 2014, and wait times in many cases were greater than 30 minutes.

The IRS's future state will enable taxpayers to interact with the IRS in ways similar to today's financial services companies, using capabilities built and proven successful in the private sector. The IRS is committed to improving taxpayer service and increasing the service options available through the IRS web site and mobile application.

This investment has three major components:

- Implement Legislative Mandates – Make major modifications to existing IRS systems and processes to administer new requirements from recent legislation.

- Facilitate Voluntary Compliance through Taxpayer Service – Increase LOS to 70 percent for the full FY 2017 (FY 2016 is expected to be 47 percent), handle additional workload from the expansion of enforcement programs, and develop innovative technology to support taxpayer services.
- Develop of Innovative Technology and Tools – Provide dynamic return processing, develop enterprise case management, and develop critical IT systems for taxpayer service programs. Increasing web services will help meet taxpayer demand for web-based self-service tools while reducing the number of phone and correspondence-based communication.

Implement Legislative Mandates Component (+\$153,240,000 / 0 FTE)

*Implement Changes to Deliver Tax Credits and Other Requirements for the ACA
(+153,240,000 / 0 FTE)*

This investment will allow the IRS to continue to implement the new tax law provisions contained in the Affordable Care Act. While the Department of Health and Human Services is responsible for health care policy and insurance provisions in the legislation, the IRS administers more than 45 specific tax provisions and numerous cross-agency sections related to tax administration. These requirements touch all tax administration processes, from submission processing to enforcement with both individual and business tax returns.

This investment funds advanced technology infrastructure and applications support and allows necessary, major modifications to existing IRS tax administration systems. It provides funds to support established ACA business capabilities by:

- Validating tax credits claimed on individual tax returns;
- Assessing and collecting penalties, taxes, and fees;
- Providing federal tax information to non-IRS entities in the insurance marketplaces; and
- Reconciling reported income, tax credits, and individual shared responsibility payments with information returns.

It will also allow the IRS to continue to develop and implement new capabilities in FY 2017, including:

- Assessing and supporting management of the employer shared responsibility payment;
- Expanding support for post-filing compliance activities for the employer shared responsibility payment;
- Mediating additional web services between systems;
- Expanding data analytics capabilities; and
- Initiating development activities related to the Excise Tax on High-Cost Health Plans.

Facilitate Voluntary Compliance through Taxpayer Service (+\$56,422,000 / +635 FTE)

Improve Taxpayer Service (+\$48,455,000 / +613 FTE)

Delivering high quality and timely service to reduce taxpayer burden is a core part of the IRS mission to facilitate voluntary compliance. Taxpayers increasingly expect to complete more of their day-to-day tasks and responsibilities online. This component provides funding to reverse the recent decline in taxpayer services and to implement technology to help transform the taxpayer experience through improved LOS, innovative technological support, and taxpayer advocacy support. This investment of \$41.4 million and 590 FTE, along with \$100 million in user fee resources, will achieve a 70 percent LOS in FY 2017, up from the FY 2016 level of 47 percent. If the full amounts requested in President's Budget are not enacted, this level of user fee resources may not be available, and the investment of \$41.4 million will achieve a 53 percent LOS.

The investment of \$5.1 million and 9 FTE for online accounts will modernize and improve self-service options for individual taxpayers, and ultimately business and international taxpayers, by creating an integrated and easy-to-use source for timely, accurate, and consolidated tax filing and tax account information. It will provide the ability to correct returns online, which will reduce the time and money spent on processing amended returns; it is estimated to save the IRS \$5.3 million.

This component also includes funding in the amount of \$1.9 million and 14 FTE to support both IRS's Taxpayer Service and Enforcement programs by handling the downstream impact in the Taxpayer Advocate Service (TAS) from increased collection and audit coverage. The additional TAS specialists will ensure that the IRS does not create unnecessary burdens or compromise taxpayers' rights.

*Enterprise Case Management (ECM) Project Management Office (PMO) - **Cap Adjustment** (+\$7,967,000 / +22 FTE)*

The PMO will serve as the integrator for ECM and will coordinate with IT and all IRS business units to provide strategic guidance in alignment with the IRS Strategic goals and business plan and drive collaboration and alignment with all aspects of case management.

Development of Innovative Technology and Tools (+\$53,488,000 / +29 FTE)

Leverage New Technologies to Advance the IRS Mission (+53,488,000 / +29 FTE)

The IRS must become more accessible to today's taxpayers by providing a consistent multichannel experience that includes significantly expanded digital service delivery. This component supports voluntary compliance through technology projects that will enable simpler and more consistent taxpayer interactions through the following three investments:

- Expand Business Systems Modernization

This investment of \$11.2 million and 5.5 FTE will allow the IRS to continue leveraging new technologies to develop critical information technology systems needed to support the IRS's taxpayer service and enforcement programs. It will provide funding for IT staff, hardware and software, contractual services, and infrastructure support for the following:

- CADE 2 (Taxpayer Account Database) (+\$1,674,000 / +3.5 FTE)

A single, data-centric solution that provides daily processing of taxpayer accounts. It will enable analytical reporting for more meaningful business intelligence and expanded opportunities to increase compliance.

- Web Applications (+\$4,020,000 / 0 FTE)

Simplify the taxpayer's online experience, provide secure digital communications, and add more interactive capabilities to existing web-based self-service products. This will allow taxpayers to resolve more issues online, requiring fewer direct interactions with the IRS over the telephone and in person.

- Modernized e-File (MeF) (+\$4,549,000 / +2 FTE)

A standard filing structure for all IRS return types, a robust platform that meets performance and capacity needs, enhanced and up-to-date technologies, and customer service benefits. Funds will be used for the development and testing of Release 11, Form 1040 – U.S. Nonresident Alien Income Tax Return. This change will allow taxpayers to file Form 1040NR returns related to their income from trade and/or business transactions conducted in the United States.

- Architecture, Integration and Management (AI&M) (+\$61,000 / 0 FTE)

Essential IRS systems strategy, architecture, and engineering capabilities for the major modernization projects across all technology platforms.

- Management Reserve (+\$903,000 / 0 FTE)

Funds not otherwise designated for specific projects to allow flexibility in responding to unexpected IT needs.

- Event Driven Architecture (EDA)

This investment of \$30.6 million and 14.5 FTE will cover software licenses, hardware, and contractor support to implement EDA. EDA will increase the average speed at which refunds are delivered to taxpayers who have submitted non-problematic returns by handling each return independently. Currently, tax returns are bundled and processed together in batches, according to the time at which they are submitted, which creates the potential for properly completed tax returns being held up by returns that have issues. EDA is a framework that manages each return independently and immediately upon arrival. Returns submitted with minor errors (such as simple arithmetic problems) will be addressed by EDA immediately at time of filing. The current process may take months to identify simple errors and notify the filer.

EDA is also a prerequisite for the following improvements:

- A web-based individual tax return;
- Taxpayer line-by-line self-correction of tax errors through an online tool;
- Automated issue identification to notify a taxpayer instantly of an error prior to submitting a tax return; and

- Enterprise Case Management (ECM) Technology Development

This investment of \$11.7 million and 9 FTE funds ECM technology development. IRS has multiple aging case management systems that have operated independently for over 30 years. The current segmented approach is inefficient and does not allow the IRS to adapt quickly to changing taxpayer behavior or address changes that arise, such as new legislation or trends in non-compliance. ECM will use a common platform to improve data accessibility across the service and produce efficiencies.

Theme 2: Understand non-Compliant Taxpayer Behavior, and Develop Approaches to Deter and Change It +\$399,369,000 / +2,002 FTE

Summary of Theme 2 Budget Request (by Component)

Initiative (dollars in thousands)	Strengthen Core Enforcement Programs		Develop Innovative Technology		Total Theme 2 Budget Request	
	\$000	FTE	\$000	FTE	\$000	FTE
Cap Adjustment Program Increases	\$284,628	1,867.50	\$112,363	127.50	\$396,991	1,995.00
Increase Collection Coverage	\$81,355	680.00	\$9,112	19.00	\$90,467	699.00
Field Collection Coverage	39,779	261.00			39,779	261.00
Automated Collection System	22,537	246.50			22,537	246.50
Correspondence Collection	12,804	132.50			12,804	132.50
Withholding Compliance System (WHCS)			9,112	19.00	9,112	19.00
Other Direct Costs	6,235	40.00			6,235	40.00
Increase Audit Coverage	\$102,323	817.50	\$26,112	38.50	\$128,435	856.00
Examination Coverage	56,318	403.00			56,318	403.00
Specialty Programs	3,446	21.00			3,446	21.00
Correspondence Examination	19,848	212.00			19,848	212.00
Automated Underreporter (AUR)	9,598	100.00			9,598	100.00
Operations Support	2,837	14.50			2,837	14.50
Other Direct Costs	10,276	67.00			10,276	67.00
QuickBooks			3,325	7.50	3,325	7.50
Innocent Spouse Application in Accounts Management			2,801	7.00	2,801	7.00
Corporate Data Initiative			846	2.00	846	2.00
2D Barcoding			8,395	3.00	8,395	3.00
Correspondence Imaging for Compliance			10,745	19.00	10,745	19.00
Digitizing Form 990			2,378	7.00	2,378	7.00
FATCA: Impl, Exp Filing Coverage, & Combat Criminal Non-compliance	56,758	203.00	69,981	70.00	126,739	273.00
Pursue Employment Tax and Abusive Tax Schemes	\$8,628	37.00	\$7,158		\$15,786	37.00
Increase Investigations of Transnational Organized Crime (TOC)	\$35,564	130.00			\$35,564	130.00
FY 2017 Total Program Increases	\$284,628	1,867.50	\$114,741	134.50	\$399,369	2,002.00

This theme encompasses the IRS's approach to enforcement activities. Compliance is one of the most challenging problems facing the IRS. While most taxpayers voluntarily comply with their tax obligations, some do not. The IRS roots out non-compliance to protect revenue and ensure accurate revenue collection by carrying out a rigorous enforcement program. Since FY 2010, however, the IRS has seen appropriated resources to support this program cut by more than 10.5 percent, resulting in falling audit coverage rates and a growing inventory of collection cases. As a result of insufficient funding in FY 2015, the individual examination coverage rate fell to 0.8 percent, the lowest level in a decade. When the coverage rate is low, the secondary deterrent effect of enforcement activity also falls. This reduces revenue and threatens the integrity of the nation's voluntary tax compliance system. The FY 2017 Budget request will increase the coverage rate from FY 2016 planned levels. However, if not fully funded, the falling coverage rate could reduce the deterrent effect of enforcement activities in the future.

The FY 2017 Budget provides much needed staffing for the examination, collection, and investigation programs, and resources to develop innovative tools to improve both the efficiency and effectiveness of these programs. This investment has two major components:

- Strengthen Core Enforcement Programs - Additional enforcement staff will complete more than 500,000 additional audits, close more than 350,000 collection cases, strengthen the IRS's international enforcement efforts, and meet the increased workload related to tax schemes.

- Develop Innovative Technology – Investments in IT will build out systems that support the implementation of FATCA, improve efficiency in operations by streamlining and redesigning current technology infrastructure, and develop systems to digitize data allowing employees to collaborate and resolve cases more effectively.

Strengthen Core Enforcement Programs (+\$284,628,000 / +1,867.5 FTE)

Investments to strengthen core enforcement programs will help the IRS improve the resolution of non-compliance with fairness and integrity. Budget cuts over the last several years have led to rising case inventories and call volumes, preventing the IRS from bringing taxpayers who fail to pay their tax debt into compliance, and reducing individual audit coverage to 0.8 percent. This component will:

- Increase collection and audit coverage;
- Implement, expand filing coverage, and combat criminal non-compliance related to FATCA;
- Digitize form 990;
- Pursue employment tax and abusive tax schemes; and
- Increase investigations of transnational organized crime.

*Increase Collection Coverage – **Cap Adjustment** (+\$81,355,000 / +680 FTE)*

This will provide resources for the IRS to work the growing collection inventory and call volumes that resulted from reduced staffing levels in recent years and bring taxpayers who fail to pay their tax debt into compliance. This investment, including the \$9.1 million for technology costs outlined in the Summary of Theme 2 Budget Request (by Component) table (above), is expected to produce additional annual enforcement revenue of \$1,216.4 million, an ROI of \$9.6 to \$1, once the new hires reach full potential in FY 2019. It will:

- Provide nearly 400 additional field collection staff to expand programs that address non-filing and underpayment of taxes to handle more than 30,000 additional collection cases (currently there are more than one million cases in the queue with an aggregate assessed balance exceeding \$52 billion);
- Provide more than 350 additional Automated Collection System (ACS) staff to address an additional 302,000 ACS cases, including incoming calls generated by the issuance of levies, delinquent returns, and/or unpaid tax liabilities. ACS staffing has decreased by 25 percent since the end of FY 2011, resulting in a substantial increase in unhandled ACS cases; and
- Expand several Compliance Services Collection Operations (CSCO) programs that address nonfiling and underpayment of taxes through the notice process by more than 320,000 notice dispositions. CSCO investments will increase balance due work and expand the following programs: Automated Substitute for Return, Offers in Compromise, Withholding Compliance, Campus Notice, and the Campus Decedent Taxpayer Unit

*Increase Audit Coverage – **Cap Adjustment** (+\$102,323,000 / +817.5 FTE)*

Budget constraints have reduced the examination staff available to conduct audits, causing the individual audit coverage rate to decline to 0.8 percent, which is increasing risk to the integrity of the nation's voluntary tax compliance system. The IRS will invest a total of \$128.4 million in audit coverage, which is projected to produce more than \$1.4 billion in additional revenue annually, and protect \$380.0 million of revenue annually, once the new hires reach full potential in FY 2019. ROI details for this investment can be found in Section 1 of this document. The corresponding technology costs are outlined in the thematic cost table. These resources will help the IRS to:

- Close over 32,000 additional individual field examination cases (the number of field audit examiners has declined by 27 percent since 2011);
- Improve the audit coverage rate, and expand examination coverage on taxpayers claiming refundable credits (before the issuance of a refund), in order to prevent improper payments;
- Expand the Automated Underreporter (AUR) program to process more than 400,000 additional cases. Currently AUR processes approximately 3.6 million; and
- Implement a quality review program for penalty and interest computations to provide accurate administration of the interest and charges associated with more than 170 civil penalties, with assessments exceeding \$30 billion annually.

*Foreign Account Tax Compliance Act (FATCA) Implement, Expand Filing Coverage, and Combat Criminal Non-compliance – **Cap Adjustment** (+\$56,758,000 / +203 FTE)*

The requested resources will expand filing coverage and combat criminal non-compliance with FATCA. This investment provides the staffing required to:

- Identify and address high priority international issues with implementation, including improving systems to allow financial institutions and other entities to comply with their requirements under FATCA;
- Develop additional guidance, and conduct outreach activities, training, and monitoring;
- Create and maintain the programs and systems required to improve compliance, including a means to identify and address non-compliance of taxpayers, financial institutions, and other entities; and
- Develop enforcement and fraud prevention programs through data analysis reducing the likelihood of improper payments for erroneous refunds related to withholding under FATCA and Chapter 3.

*Pursue Employment Tax and Abusive Tax Schemes – **Cap Adjustment** (+\$8,628,000 / +37 FTE)*

Today's sophisticated schemes to defraud the government require financial investigators to wade through financial records. In order to ensure that employment tax and abusive tax schemes do not become a major source of criminal activity and lost revenue, resources must be dedicated to reinforcing the IRS's criminal investigative efforts. This investment will allow the IRS to close an additional 100 tax evasion and abusive tax scheme cases annually once new hires reach their full potential in FY 2019. Currently the IRS closes about 200 such cases per year.

*Increase Investigations of Transnational Organized Crime (TOC) – **Cap Adjustment** (+\$35,564,000 / +130 FTE)*

The threat of transnational organized crime (TOC) is becoming more severe as criminal networks use increasingly sophisticated tactics that exploit the borderless, interconnected nature of the global economy. IRS staff work with the Office of National Drug Control Policy (ONDCP) as well as several multi-agency task forces to support investigations of illegal drug trafficking and money laundering perpetrated by organizations involved in TOC. This investment is projected to allow the IRS to complete an additional 360 investigations annually once new hires reach full potential in FY 2019.

Develop Innovative Technology (+\$114,741,000 / +134.5 FTE)

Investments in technology will help the IRS to effectively analyze risks, address the right issues, and apply coordinated and efficient treatments to resolve non-compliance with fairness and integrity. This component provides \$114.7 million dollars to fund the following eight investments in technology:

*Increase Collection Coverage– **Cap Adjustment** (+\$9,112,000 / +19.0 FTE)*

The Withholding Compliance (WHC) Program brings taxpayers who have serious under-withholding problems into compliance with tax withholding requirements and currently relies on three separate inputs by tax examiners for each case action. This investment will provide a single entry system to populate multiple databases, will generate WHC correspondence letters, and will increase the efficiency of WHC employees and the accuracy of data. This investment is projected to allow WHC to correct withholding for an additional 90,000 taxpayers. A WHC case averages a \$1,200 increase in withholding, for a total potential revenue increase of \$108 million. Withholding behavior tends to show long-lasting improvements for affected taxpayers in future years.

*Increase Audit Coverage – **Cap Adjustment** (+\$26,112,000 / +38.5 FTE)*

- QuickBooks (+\$3,325,000 / +7.5 FTE)

Accounting software holds approximately 94 percent of the small business accounting software retail market, and is frequently encountered in the examination of taxpayer returns. This investment provides access to QuickBooks software to all revenue

agents enabling them to accept electronic accounting records and reducing taxpayer burden.

- Innocent Spouse Application (ISA) in Accounts Management (+\$2,801,000 / +7.0 FTE)

ISA is a tool within the Accounts Management System to work claims for relief associated with the Innocent Spouse Program that ensures that users address all of the necessary factors that will allow consistent application of the tax laws. This investment enhances the ISA to systemically issue letters, post case closing transactions, assign inventory, and create reports that can be queried.

- Corporate Data Initiative (CDI) (+\$846,000 / 2.0 FTE)

CDI will redesign Microsoft Access databases to Enterprise Architecture compliant design and infrastructure. This investment will allow CDI to establish an enterprise service model for developing, operating and maintaining small corporate databases and spreadsheets originally developed in Microsoft Access or Excel.

- 2D Barcoding for Paper Forms 1040, 1040X (+\$8,395,000 / 3.0 FTE)–

This investment will capture return data from the 1040 family of paper returns utilizing 2D barcodes and process paper payments electronically. Data captured will flow through to the Integrated Submission and Remittance Processing system resulting in faster, more accurate processing and improved audit effectiveness.

- Correspondence Imaging for Compliance (+\$10,745,000 / +19.0 FTE)

Legacy correspondence systems currently store imaged correspondence in disparate formats and locations. This investment will create a central repository for imaged correspondence and allow IRS employees to collaborate and resolve compliance cases more efficiently. It will also establish a common document and imaging infrastructure. The efficacy of search queries will be improved across applications, indices, and database servers by sharing server content. This investment is expected to reduce the time, complexity, and costs associated with current document and image management.

*Digitizing Form 990— **Cap Adjustment** (+\$2,378,000 / +7.0 FTE)*

This investment will allow the IRS to electronically capture data from paper-filed Forms 990, *Return of Organization Exempt from Income Tax*, and implement 2D barcodes on these returns. This will increase audit effectiveness and the speed of return processing, reduce transcription errors, and reduce the incidence of inadvertent disclosure of information resulting from manual redaction errors when posting Forms 990 to publicly available sources.

*FATCA: Implement, Expand Filing Coverage, and Combat Criminal Non-compliance – **Cap Adjustment** (+\$69,981,000 / +70.0 FTE)*

This investment of \$69.9 million and 70 FTE will support the build out of FATCA systems requirements. It will fund updates to the legacy electronic filing system to modify and process FATCA forms, additional capabilities in the web-based registration system, and

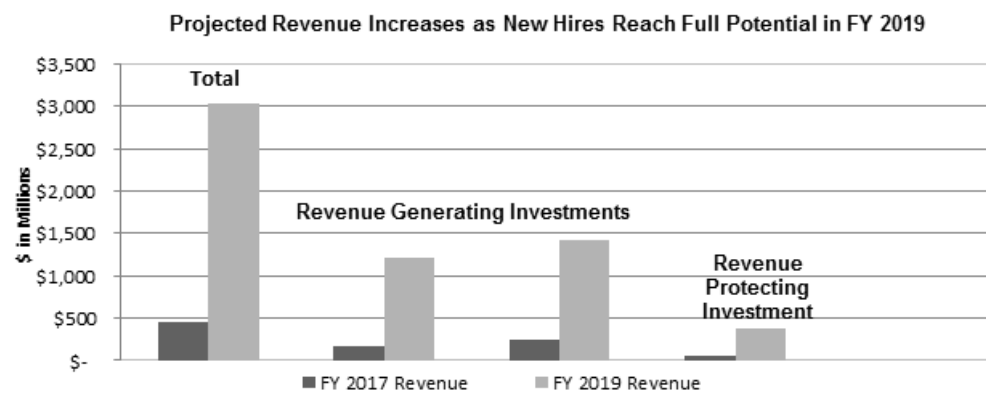
enhanced functionality in the systems that facilitate the exchange and processing of FATCA data to and from withholding agents, Foreign Financial Institutions (FFIs) and Host Country Tax Authorities and the United States.

Pursue Employment Tax and Abusive Tax Schemes – Cap Adjustment (+\$7,158,000 / 0 FTE)

A network analysis tool will enable the IRS to link multiple potentially abusive returns or information items together to identify the central figure behind a scheme versus applying resources to work individual returns one at a time. This investment of \$7.2 million funds contractual services to acquire and implement network analysis.

Expected Outcomes

The FY 2017 budget includes \$399.4 million in investments to improve understanding of non-compliant taxpayer behavior, which support the IRS's traditional enforcement programs including audit and collection coverage. These investments are projected to generate and protect \$461.5 million in revenue in FY 2017, for an initial ROI of \$1.2 to \$1. Once the investment hires reach full potential, the expected ROI is \$6.1 to \$1. ROI for specific investments is identified in the table below.



	Total Costs and Revenue		Increase Collection Coverage		Increase Audit Coverage		Increase Audit Coverage (revenue-protecting portion)		Enforcement Investments with Long-Term Revenue Effects	
	FY 2017	FY 2019	FY 2017	FY 2019	FY 2017	FY 2019	FY 2017	FY 2019	FY 2017	FY 2019
Cost	\$ 399.4	\$ 491.9	\$ 90.5	\$ 127.3	\$ 117.1	\$ 155.3	\$ 11.3	\$ 16.7	\$ 180.5	\$ 192.5
Revenue	\$ 461.5	\$3,023.1	\$ 160.5	\$1,216.4	\$ 237.0	\$1,426.7	\$ 64.0	\$ 380.0		
Average ROI	1.2	6.1	1.8	9.6	2.0	9.2	5.7	22.8		

Theme 6: Drive More Agility and Efficiency in IRS Operations

+\$120,955,000 / +146 FTE

Summary of Theme 6 Budget Request (by Component)

Initiative (dollars in thousands)	Implement New Capabilities to Drive Agility, Efficiency and Effectiveness		Provide Support for Existing Systems		Total Theme 6 Budget Request	
	\$000	FTE	\$000	FTE	\$000	FTE
Budget Request Program Increases	\$18,543	46.00			\$18,543	46.00
Enterprise Electronic Records Management Solution	18,543	46.00			18,543	46.00
Cap Adjustment Program Increases	\$10,238	27.00	\$92,174	73.00	\$102,412	100.00
Maintain Integrity of Revenue Financial Systems	10,238	27.00			10,238	27.00
Operations and Maintenance for Deployed Business Systems Modernization (BSM) Projects			92,174	73.00	92,174	73.00
FY 2017 Total Program Increases	\$28,781	73.00	\$92,174	73.00	\$120,955	146.00

This theme provides a common case management solution, an improved revenue financial system, and maintenance funding for IT systems.

This theme has two major components:

- Implement New Capabilities and Systems – Create an enterprise records management solution and improve the IRS’s revenue financial accounting systems.
- Provide Support for Existing Systems – Acquire mainframes, servers, hardware, software, and contractual services for deployment of Business Systems Modernization (BSM) projects.

Implement New Capabilities and Systems (+\$18,543,000 / +46 FTE) Cap Adjustment (+\$10,238,000 / +27 FTE)

This component provides funding to manage official records more effectively by implementing new systems and creating a unified, searchable archive of IRS e-mails to avoid redundant archiving. This component also supports and improves the IRS’s revenue financial accounting systems to ensure timely and accurate reporting of tax data. This component funds the following investments:

Enterprise Electronic Records Management Solution - (+\$18,543,000 / +46 FTE)

This investment will allow the IRS to respond more timely to legal and Congressional inquiries, and FOIA requests. In FY 2016, using funding from projected user fee receipts, the IRS will invest in the infrastructure required to support this investment. This investment will continue the implementation of the solution for electronic records management. Over a multi-year period, the IRS will phase in enterprise content management processes for taxpayer-related records, records of policy, program, project development, and email. These actions will bring IRS into compliance with the Federal Records Act of 1950 as amended (44 U.S.C. Chapter 31), which requires all systems to implement an electronic records retention policy and the Managing Government Records Directive (M-12-18) which instructs agencies to manage electronic records more efficiently and effectively.

*Maintain Integrity of Revenue Financial Systems - **Cap Adjustment** (+\$10,238,000 / +27 FTE)*

The current revenue financial systems do not use commercial software, so the IRS is reliant on internal resources to maintain them. These systems reconcile and report to the Bureau of Fiscal Service on over \$3 trillion in revenue before refunds and are currently identified by GAO as a material weakness. This investment will merge multiple financial systems into one repository to ensure the integrity of the IRS's financial data and make necessary changes to ensure that systems comply with accounting and other requirements. This will automate reconciliations of the IRS ledger systems and assist in the gathering of data for creation of reports and for GAO and TIGTA audits. Consolidation and elimination of systems that support operational decision making and the financial audit will yield savings and efficiencies in future years.

Provide Support for Existing Systems Component Cap Adjustment (+\$92,174,000 / +73 FTE)

For the past few years, the IRS has experienced increased demand for IT projects and services, with significant resources going toward implementing legislative mandates, including the FATCA, the ACA, and other mandatory requirements. This has severely impacted the IRS capacity to address other operational areas, including maintenance for newly deployed IT infrastructure.

*Operations and Maintenance for Deployed Business Systems Modernization (BSM) Projects – **Cap Adjustment** (+\$92,174,000 / +73 FTE)*

This investment increases IRS IT operations funding for BSM projects. The IRS receives funding for major IT development and modernization projects through the BSM appropriation. Once development is completed, regular operations and maintenance begins, and the IRS is required to pay for this maintenance through its Operations Support appropriation. Since 2013, the IRS has incurred over \$95.5 million in increased annual requirements as a result of BSM systems deployments, but has not received commensurate increases to the Operations Support appropriation. This investment partially restores the Operations Support base so that the funding will not have to be redirected from other areas to pay for the deployed BSM projects. Resources will fund staff, hardware and software, and contractual services for these deployed systems.

Expected Outcomes

This investment will improve IRS operations by:

- Helping respond in a timely fashion to legal and Congressional inquiries;
- Helping to preserve institutional knowledge through the creation of an enterprise-wide electronic records management system; and
- Increasing organizational performance by improving revenue financial systems, in particular by reducing and eliminating manual processes and merging financial systemic data.

Focus Area: Strengthen Cybersecurity and Eliminate Identity Theft
+\$90,039,000 / +491 FTE

Summary of Focus Area Budget Request (by Component)

Initiative (dollars in thousands)	Address the Increased Workload Associated with Identity Theft, Refund Fraud, & Improper Payments		Strengthen Technology to Improve the Prevention of Refund Fraud & Improper Payments		Total Focus Area Budget Request	
	\$000	FTE	\$000	FTE	\$000	FTE
Budget Request Program Increases						
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	70,843	459.50	19,196	31.50	90,039	491.00
Improving the Prevention of Identity Theft and Refund Fraud	8,624	69.50			8,624	69.50
Expanding Identity Theft Victim Assistance	9,573	134.00			9,573	134.00
Expand External Leads	1,015	12.00			1,015	12.00
Prevention of False Tax Returns Filed by Inmates	524	3.00			524	3.00
Assess Preparer Penalties	1,545	16.00			1,545	16.00
Increase Criminal Investigation Identity Theft Support	46,655	204.50			46,655	204.50
Counsel and Taxpayer Services Support	2,907	20.50			2,907	20.50
Eliminate Social Security Numbers (SSN) from Taxpayer Mailings			7,100		7,100	0.00
Web-based Freedom of Information Act (FOIA)			3,436	3.50	3,436	3.50
Establish Centralized Repository for Fraud			2,785	1.00	2,785	1.00
Dishonored Check Processing			2,396	6.50	2,396	6.50
Preventing MeF Fraud and Improved Access to Social Security Administration Data			1,858	12.00	1,858	12.00
Integrated Automated Technology (IAT) Tools			1,621	8.50	1,621	8.50
FY 2017 Total Program Increases	\$70,843	459.50	\$19,196	31.50	\$90,039	491.00

This section describes investments to combat stolen identity refund fraud, including detection and prevention, assistance to victims, and law enforcement.

Due to the trillions of dollars that flow through the IRS each year and the vast amount of data it maintains, the IRS is subjected to continuous cyber-attacks by criminals attempting to steal taxpayer data or use the tax administration system for personal gain. Identity theft is a growing epidemic that impacts all federal agencies. Information security incidents in the federal government involving personally identifiable information increased more than 140 percent from FY 2009 to FY 2013. Cyber scams that result in identity theft and refund fraud, and the methods used to perpetrate them, continue to evolve, and require constant adaptation by the IRS. Additionally, data breaches occurring outside of the IRS have given criminals access to personal data, making it easier to impersonate legitimate taxpayers. The IRS is making progress against these crimes, but needs to make continuous investments in resources and tools to stay ahead of criminals.

The FY 2017 budget request will invest in the technology and workforce skills that allow for timely risk assessments, strong prevention techniques, and data analysis that can be used to develop solutions for stolen identity refund fraud and shorten reaction times risks and incidents. This investment has two major components:

- Address the Increased Workload Associated with Identity Theft, Refund Fraud, and Improper Payments – Funding for this component will provide additional staffing to reduce case inventories, protect revenue, and provide taxpayer service for victims of identity theft.

- Strengthen Technology to Improve the Prevention of Refund Fraud and Improper Payments – Funding for this component will build a suite of capabilities necessary to protect taxpayer data and the nation’s tax revenue.

Address the Increased Workload Associated with Identity Theft, Refund Fraud, and Improper Payments (+\$70,843,000 / +459.5 FTE)

Tax-related identity theft is increasingly complex and resource-intensive to combat. From the computer-based fraud detection filter that flags the return, to the accounts management employee that helps a victim regain control of his/her account, to the special agent who investigates the crime, identity theft impacts virtually every major IRS function. The IRS has struggled to meet the public’s expectations as identity theft continues to grow. This investment provides additional staffing to handle the increased workload associated with identity theft, refund fraud, and reducing improper payments. This component provides \$67.9 million to fund the following six investments and associated other direct costs:

*Prevent Identity Theft and Refund Fraud and Reduce Improper Payments
(+\$70,843,000 / +459.5 FTE)*

- Improving the Prevention of Identity Theft and Refund Fraud (+\$8,624,000 / +69.5 FTE)

These resources will allow the IRS to:

- Establish Campus Fraud Technical Advisors to provide investigative leads and referrals to federal, state, and local law enforcement agencies to solve tax-related identity theft cases;
- Employ staffing and contractor support to safeguard and effectively manage federal tax information shared externally, oversee compliance with safeguard agreements, and monitor unencrypted Personally Identifiable Information leaving the IRS enabling the timely assessment of identity theft risk or other potential harm to taxpayers; and
- Hire additional staff to pursue more of the available leads from the Proactive Lead Analysis program, which obtains leads from industry partners and state departments of revenue based on their fraud and identity theft detection programs regarding returns that have not yet been filed. This protects revenue by stopping improper refunds before they are issued. The staff will also help resolve the related taxpayer account issues quickly. The IRS projects that the added Revenue Protected resulting from these analyses for calendar year (CY) 2014 and CY 2015 will be over \$1.3 billion.

- Expand Identity Theft Victim Assistance (+\$9,573,000 / +134 FTE)

Additional resources will expand the IRS’s ability to stop or suspend returns identified as potential identity theft cases. This helps taxpayers affected by tax-related identity theft to get their issues resolved more timely and prevent them from being burdened with the same issues from year to year.

Funds will also expand capacity to handle additional cases involving victims of tax related identity theft who have engaged the IRS for assistance. Receipts for these cases grew from about 188,000 receipts in FY 2010 to 730,000 in FY 2014.

FY 2017	Identity Theft Case Receipts		IPSU Case Receipts	
	<i>Current Resources</i>	<i>With Initiative Resources</i>	<i>Current Resources</i>	<i>With Initiative Resources</i>
Projected Beginning Inventory	70,000	70,000	40,000	40,000
Projected New Receipts	500,000	500,000	713,000	713,000
Projected Closures	409,000	500,000	704,000	713,000
Projected Ending Inventory	161,000	70,000	49,000	40,000

- Expand External Leads (+\$1,015,000 / +12 FTE)

The IRS External Leads staff recovers funds related to questionable refunds from external sources (e.g., financial institutions, state agencies, and tax providers). Expanding this staff enables the IRS to increase the number of lead sources, which have grown from 30 to 527 since 2010, that participate in this program and provide support for external leads pattern development. The IRS External Leads program recovered more than \$1.3 billion in fraudulent refunds in FY 2014 and FY 2015 and expects to recover an additional \$1 billion in FY 2016. With this FY 2017 request, the External Leads program expects to recover \$1.2 billion in fraudulent refunds.

- Prevention of False Tax Returns Filed by Inmates (+\$524,000 / +3 FTE)

The Bipartisan Budget Act of 2013 allows the IRS access to data in the Prisoner Update Processing System (PUPS) maintained by the Social Security Administration (SSA). Resources will allow the IRS to implement and improve filters and models used with the PUPS data that will detect prisoner fraud including the identification of fraudulent wages and withholding on returns. Currently inmates use fake SSNs, SSNs of the deceased, and other SSNs to file fraudulent tax returns. PUPS data would add over two million records to the IRS's Prisoner File, and is projected to result in \$1 billion in additional revenue protected annually.

- Assess Preparer Penalties (+\$1,545,000 / +16 FTE)

The IRS requests additional staff to expand enforcement efforts to help reduce improper payments and assess appropriate preparer penalties. Resources will help identify return preparers who are committing refund fraud by filing multiple returns claiming false refundable credits. The IRS will develop successful penalty assessment models and filters to improve program effectiveness, thus creating a deterrent effect.

- Increase Criminal Investigation Identity Theft Support (+\$46,655,000 / +204.5 FTE)

The IRS requests additional funding to:

- Combat data breaches (+\$40,145,000 / +167.0 FTE) by hiring:
 - 120 FTE to work criminal investigation cases related to identity theft and refund fraud which have grown by over 350 percent;

- 45 FTE to increase staff at the IRS's Scheme Development Centers (SDCs) which identify and develop schemes for the purpose of referring and supporting high-impact criminal tax and related financial investigations; and
- 2 FTE to support faster and more efficient fingerprint processing in the IRS's National Forensic Laboratory (NFL) Latent Fingerprint Section and to provide technical investigative assistance for data breach cases that operate in the "dark net."
- Expand the Identity Theft Clearinghouse (+\$3,448,000 / +21.0 FTE) by increasing the IRS's participation in multi-agency task forces that obtain information about criminal activity involving federal and state tax refunds. These special agents will also extend outreach to state and local law enforcement to expand the Law Enforcement Assistance Program as recommended by TIGTA Audit 2015-40-003 *Law Enforcement Assistance Program Requests Are Not Always Processed Timely and Accurately*.
- Criminal Investigation Support (+\$1,377,000 / +9.5 FTE) provides funding for additional analysts for the Cyber Crimes Unit to provide technical investigative assistance and coordination in working identity theft and refund fraud cases.
- Refund Crimes Bank Secrecy Act (BSA) Review Project (+\$759,000 / +3.5 FTE). The IRS will continue to use bank secrecy information regarding identity theft and tax refund fraud by focusing on bank accounts that receive multiple Automated Clearing House or tax refund check deposits.
- Initiative to Combat Temporary Work Visa Exploitation (+\$926,000 / +3.5 FTE). Combat Temporary Work Visa exploitation by collaborating with SSA, FinCEN, and State Department to gather identifying information for visa holders. The IRS has seen an increase in the use foreign exchange visitors' identities for filing false tax returns and facilitating the movement of false refunds.

Strengthen Technology to Improve the Prevention of Refund Fraud and Improper Payments (+\$19,196,000 / +31.5 FTE)

Investments in cyber defense technology are imperative in order to maintain both the integrity of tax administration and the confidence of the American people. The proliferation of online financial and personal data has enabled an explosion of identity theft as compromised third party data is more easily and cheaply stolen, warehoused, and sold online, greatly increasing the risk for fraud and improper payments. This component provides \$19.2 million dollars to fund the following investments:

Prevent Identity Theft and Refund Fraud and Reduce Improper Payments (+\$19,196,000 / +31.5 FTE)

- Eliminate Social Security Number (SSN) from Taxpayer Mailings (+\$7,100,000 / 0 FTE)

These funds will provide resources for software, infrastructure, and related support to continue to reduce the use of Social Security Numbers (SSNs) on IRS forms. This

phase of the project will reduce the display of SSNs on notices requesting a payment from the taxpayer, print barcodes on additional outgoing notices, and will acquire and implement equipment that reads 2D barcodes in the payment processing systems. This phase will reduce the use of SSNs on 88 notice types, eliminating the use of SSNs on notices to 48 million taxpayers.

- Web-based Freedom of Information Act (FOIA) (+\$3,436,000 / +3.5 FTE)

This investment will fund a web-based platform for Freedom of Information Act (FOIA) requests. The IRS processes over 30,000 annual FOIA requests using its Automated FOIA (AFOIA) system. AFOIA does not have a robust search and find feature and is not compliant with Section 508 provisions. A web-based platform will improve system stability and performance, provide the capability for additional enhancements such as a robust search and find feature that will protect against inadvertent disclosure of taxpayer information, comply with Section 508 provisions, and establish the foundation for taxpayers to submit, monitor, and track their requests for information online. This investment supports the tenets of National Institute of Standards and Technology (NIST) Appendix J by assessing and improving the privacy controls associated with the IRS FOIA system.

- Establish Centralized Repository for Fraud (+\$2,785,000 / +1.0 FTE)

This project funds labor and technology that will enhance multiple core tax enforcement areas within the IRS, including fraud referrals, corporate fraud, and abusive employment tax schemes. The centralized repository will expand the IRS's ability to identify significant tax cases; streamline and standardize the fraud referral process; and increase the number of fraud convictions thereby facilitating restitution orders that will lead to additional assessments. This system will allow the use of data and research across the organization. The repository database will aid in tracking, monitoring, and processing all fraud referrals including those related to identity theft.

- Dishonored Check Processing (DCP) (+\$2,396,000 / +6.5 FTE)

DCP will improve the IRS's ability to efficiently process dishonored checks and prevent erroneous refunds caused by invalid payments. Currently, banks use a manual process to mail checks back to the IRS, taxpayer accounts are posted manually by the IRS, and the cases are assigned to tax examiners to research. DCP will eliminate manual processes and create a fast, systemic transfer of insufficient fund information to the IRS Dishonored Check File with no manual process involved. By posting dishonored checks to tax accounts faster, it will expedite the process of monitoring identity thieves' activities.

- Preventing MeF Fraud and Improved Access to Social Security Administration Data (+\$1,858,000 / +12.0 FTE)

These resources will fund development and implementation of a means to reject attempts to e-file a return after five unsuccessful attempts. This will deter fraud perpetrators who are making multiple computerized attempts to file ID theft returns electronically. It also provides additional IT equipment and programming support to allow the IRS to get SSA Form W-2, *Wage and Tax Statement*, and SSA Form W-3, *Transmittal of Wage and Tax Statement*, data more quickly. Getting the data more

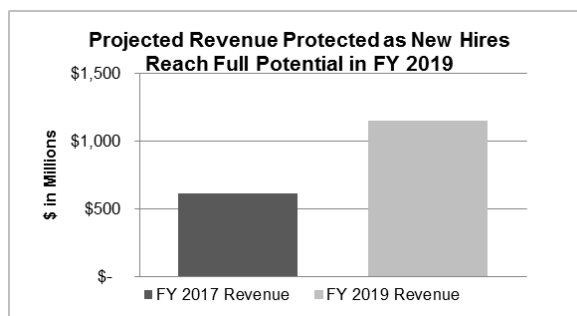
quickly will accelerate the verification of wages and withholding on potentially fraudulent tax returns, thereby catching more fraudulent returns before refunds are issued, and shortening the processing time for legitimate refunds. This means that legitimate filers will get their refunds faster.

- Integrated Automated Technology (IAT) Tools (+\$1,621,000 / +8.5 FTE)

IAT tools are desktop productivity-enhancing tools that automate certain taxpayer account processing activities completed by IRS staff. IATs save staff hours, improve accuracy, and save money. IAT-developed software programs are needed to match wage and withholding information, automate additional taxpayer correspondence, and identify potential identity theft cases. These additional resources will increase IAT's capacity for technology development by approximately three software programs per year.

Expected Outcomes

The FY 2017 budget includes \$90 million in investments to prevent identity theft, refund fraud, and improper payments. These investments are projected to protect \$612 million in revenue in FY 2017, for an initial ROI of \$6.8 to \$1. Once the staff are fully trained and reach full potential, the expected ROI is \$10.7 to \$1 with \$1,146 million in projected annual revenue protected.



Measures	FY 2017		
	Prior to Initiative	After Initiative	Percent Improvement
Refunds Recovered (dollars in thousands)	\$362,838	\$387,299	6.74%
Revenue Protected - Prisoner Program (dollars in thousands)	\$1,939,088	\$2,028,170	4.59%
False Returns Prevented - Prisoner Program	29,644	225,801	661.71%
Refunds Stopped - Proactive Leads	241,272	327,684	35.82%
Revenue Protected - Proactive Leads (dollars in thousands)	\$1,174,645	\$1,697,611	44.52%
ID Theft Closures	409,000	509,000	24.45%
Investigations Completed	3,100	3,800	22.58%

Alcohol and Tobacco Tax and Trade Bureau Transfer +\$5,000,000

The IRS will transfer \$5 million to the Alcohol and Tobacco Tax and Trade Bureau (TTB) for those high-ROI tax enforcement activities that produce additional revenue through program activities designated to narrow the federal excise tax gap on alcohol and tobacco commodities. More detailed information can be found in the TTB chapter of this document.

2.2 – Operating Levels Table

Dollars in Thousands

Internal Revenue Service Object Classification	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
11.1 Full-Time Permanent Positions	5,757,996	6,061,196	6,346,976
11.3 Other than Full-Time Permanent Positions	78,545	85,525	86,844
11.5 Other Personnel Compensation	151,736	203,781	219,349
11.8 Special Personal Services Payments	23,504	16,799	17,059
11.9 Personnel Compensation (Total)	6,011,781	6,367,301	6,670,228
12.0 Personnel Benefits	2,020,457	2,005,273	2,110,081
13.0 Benefits to Former Personnel	51,147	52,266	53,054
Total Personnel and Compensation Benefits	\$8,083,385	\$8,424,840	\$8,833,363
21.0 Travel	84,025	93,859	129,553
22.0 Transportation of Things	18,482	21,407	29,748
23.1 Rental Payments to GSA	610,814	595,284	618,296
23.2 Rent Payments to Others	12,824	13,453	13,771
23.3 Communications, Utilities, & Misc	301,678	294,481	323,226
24.0 Printing & Reproduction	26,577	29,830	31,146
25.1 Advisory & Assistance Services	670,894	875,840	1,111,178
25.2 Other Services	97,504	144,134	344,782
25.3 Purchase of Goods & Services from Govt. Accounts	188,648	176,408	191,682
25.4 Operation & Maintenance of Facilities	173,022	157,775	168,283
25.5 Research & Development Contracts	2,462	1,555	1,576
25.6 Medical Care	14,180	13,640	15,063
25.7 Operation & Maintenance of Equipment	62,983	71,782	79,929
25.8 Subsistence & Support of Persons	930		
26.0 Supplies and Materials	39,242	41,050	46,475
31.0 Equipment	238,020	216,543	270,787
32.0 Land and Structures	2,625	25,015	32,514
41.0 Grants, Subsidies	18,254	33,500	33,500
42.0 Insurance Claims & Indemnities	1,183	1,601	1,626
91.0 Unvouchered	2,696	3,003	3,597
Total Non-Personnel	\$2,567,043	\$2,810,160	\$3,446,732
New Appropriated Resources	\$10,650,428	\$11,235,000	\$12,280,095
Appropriations:			
Taxpayer Services	2,173,684	2,333,376	2,406,318
Enforcement	4,767,563	4,864,936	5,216,263
Operations Support	3,601,436	3,746,688	4,314,099
Business Systems Modernization	107,745	290,000	343,415
Trade Adjustment Assistance Health Coverage Tax Credit			
New Appropriated Resources	\$10,650,428	\$11,235,000	\$12,280,095
FTE	78,107	81,572	84,803

2B – Appropriation Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE</p> <p style="text-align: center;">TAXPAYER SERVICES</p> <p>For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing assistance and education, filing and account services, taxpayer advocacy services, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, [\$2,156,554,000] \$2,406,318,000, of which not less than \$6,500,000 shall be for the Tax Counseling for the Elderly Program, of which not less than \$12,000,000 shall be available for low-income taxpayer clinic grants, [and] of which not less than [\$15,000,000, to] \$191,822,000 shall remain available until September 30, [2017, shall be available for a Community Volunteer Income Tax Assistance matching grants program for tax return preparation assistance] 2018, and of which not less than \$206,000,000 shall be available for operating expenses of the Taxpayer Advocate Service: <i>Provided</i>, That of the amounts made available for the Taxpayer Advocate Service, not less than \$5,000,000 shall be for identity theft casework: <i>Provided further, That, of the amounts made available until September 30, 2018, not less than \$15,000,000 shall be available for a Community Volunteer Income Tax Assistance matching grants program for tax return preparation assistance.</i></p>	<p>New two-year authority was provided in Section 113 of the Department of the Treasury Appropriations Act, 2016. \$176,822,000 of this amount was allocated to Taxpayer Services. This same amount is requested in FY 2017 and is added to the existing two-year authority in the Budget request, for a total request of \$191,822,000 in two-year authority. The total Budget request for Taxpayer Services is \$2,406,318,000.</p>
<p style="text-align: center;">ENFORCEMENT</p> <p>For necessary expenses for tax enforcement activities of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to violations of internal revenue laws and other financial crimes, to purchase and hire passenger motor vehicles (31 U.S.C. 1343(b)), and to provide other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, [\$4,860,000,000] \$5,216,263,000, of which not to exceed [\$50,000,000] \$54,936,000 shall remain available until September 30, [2017] 2018, and of which not less than \$60,257,000 shall</p>	<p>New two-year authority was provided in Section 113 of the Department of the Treasury Appropriations Act, 2016. \$4,936,000 of this amount was allocated to Enforcement. This same amount is requested in FY 2017, and is added to the existing two-year authority in the Budget request, for a total request of \$54,936,000 in two-year authority.</p>

be for the Interagency Crime and Drug Enforcement program: *Provided, That, of the amounts provided under this heading, not less than \$231,344,000, of which \$5,000,000 shall be transferred to the Alcohol and Tobacco Tax and Trade Bureau, shall be for an additional appropriation for tax activities, including tax compliance to address the Federal tax gap, as specified for purposes of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.*

OPERATIONS SUPPORT

For necessary expenses of the Internal Revenue Service to support taxpayer services and enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance, and security; the hire of passenger motor vehicles (31 U.S.C. 1343(b)); the operations of the Internal Revenue Service Oversight Board; and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; [~~\$3,638,446,000~~] *\$4,314,099,000*, of which not to exceed [~~\$50,000,000~~] *\$158,242,000* shall remain available until September 30, [~~2017~~]2018; of which not to exceed \$10,000,000 shall remain available until expended for acquisition of equipment and construction, repair and renovation of facilities; of which not to exceed \$1,000,000 shall remain available until September 30, [~~2018~~]2019, for research; of which not to exceed [~~\$20,000~~] *\$25,000* shall be for official reception and representation expenses: *Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing the cost and schedule performance for its major information technology investments, including the purpose and life-cycle stages of the investments; the reasons for any cost and schedule*

The Budget Request for the Enforcement account is \$5,216,263,000 including a program integrity cap adjustment of \$231,344,000 which, when combined with the \$283,404,000 cap adjustment in the Operations Support account, totals \$514,748,000 in additional appropriation for tax enforcement and compliance activities.

New two-year authority was provided in Section 113 of the Department of the Treasury Appropriations Act, 2016. \$108,242,000 of this amount was allocated to Operations Support. This same amount is requested in FY 2017, and is added to the existing two-year authority in the Budget request, for a total request of \$158,242,000 in two-year authority.

The Budget Request for the Operations Support account is \$4,314,099,000 including a program integrity cap adjustment of \$283,404,000.

variances; the risks of such investments and strategies the Internal

Revenue Service is using to mitigate such risks; and the expected developmental milestones to be achieved and costs to be incurred in the next quarter: *Provided further, That the Internal Revenue Service shall include, in its budget justification for fiscal year [2017]2018, a summary of cost and schedule performance information for its major information technology systems: Provided further, That, of the amounts provided under this heading, such sums as are necessary shall be available to fully support tax enforcement and compliance activities, including not less than \$283,404,000, for an additional appropriation for tax activities, including tax compliance to address the Federal tax gap, as specified for purposes of Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.*

BUSINESS SYSTEMS MODERNIZATION

For necessary expenses of the Internal Revenue Service's business systems modernization program, [\$290,000,000] \$343,415,000, to remain available until September 30, [2018] 2019, for the capital asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including related Internal Revenue Service labor costs, and contractual costs associated with operations authorized by 5 U.S.C. 3109: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing the cost and schedule performance for CADE 2 and Modernized e-File information technology investments, including the purposes and life-cycle stages of the investments; the reasons for any cost and schedule variances; the risks of such investments and the strategies the Internal Revenue Service is using to mitigate such risks; and the expected developmental milestones to be achieved and costs to be incurred in the next quarter.

ADMINISTRATIVE PROVISIONS –
INTERNAL REVENUE SERVICE
(INCLUDING TRANSFER OF FUNDS)

SEC. 101. Not to exceed 5 percent of any appropriation made available in this Act to the Internal Revenue Service may be transferred to any other Internal Revenue Service appropriation upon the advance [approval] *notification* of the Committees on Appropriations.

SEC. 102. The Internal Revenue Service shall maintain an employee training program, which shall include the following topics: taxpayers' rights, dealing courteously with taxpayers, cross-cultural relations, ethics, and the impartial application of tax law.

SEC. 103. The Internal Revenue Service shall institute and enforce policies and procedures that will safeguard the confidentiality of taxpayer information and protect taxpayers against identity theft.

SEC. 104. Funds made available by this or any other Act to the Internal Revenue Service shall be available for improved facilities and increased staffing to provide sufficient and effective 1-800 help line service for taxpayers. The Commissioner shall continue to make improvements to the Internal Revenue Service 1-800 help line service a priority and allocate resources necessary to enhance the response time to taxpayer communications, particularly with regard to victims of tax-related crimes.

[SEC. 105. None of the funds made available to the Internal Revenue Service by this Act may be used to make a video unless the Service-Wide Video Editorial Board determines in advance that making the video is appropriate, taking into account the cost, topic, tone, and purpose of the video.]

SEC. [106]/105. The Internal Revenue Service shall issue a notice of confirmation of any address change relating to an employer making employment tax payments, and such notice shall be sent to both the employer's former and new address and an officer or employee of the Internal Revenue Service shall give special consideration to an offer-in-compromise from a taxpayer who has been the victim of fraud by a third party payroll tax preparer.

[SEC. 107. None of the funds made available under this Act may be used by the Internal Revenue Service to target citizens of the United States for exercising any right guaranteed under the First Amendment to the Constitution of the United States.]

Section 105 is no longer needed. In 2013, the IRS established policy and standards for video use and the Service-Wide Video Editorial Board to review all video projects planned throughout the IRS.

Sections 107 and 108 are unnecessary since these behaviors are prohibited under existing, permanent law.

<p>[SEC. 108. None of the funds made available in this Act may be used by the Internal Revenue Service to target groups for regulatory scrutiny based on their ideological beliefs.]</p> <p>[SEC. 109. None of funds made available by this Act to the Internal Revenue Service shall be obligated or expended on conferences that do not adhere to the procedures, verification processes, documentation requirements, and policies issued by the Chief Financial Officer, Human Capital Office, and Agency-Wide Shared Services as a result of the recommendations in the report published on May 31, 2013, by the Treasury Inspector General for Tax Administration entitled "Review of the August 2010 Small Business/Self-Employed Division's Conference in Anaheim, California" (Reference Number 2013–10–037).]</p> <p>[SEC. 110. None of the funds made available in this Act to the Internal Revenue Service may be obligated or expended—(1) to make a payment to any employee under a bonus, award, or recognition program; or (2) under any hiring or personnel selection process with respect to re-hiring a former employee, unless such program or process takes into account the conduct and Federal tax compliance of such employee or former employee.]</p> <p>[SEC. 111. None of the funds made available by this Act may be used in contravention of section 6103 of the Internal Revenue Code of 1986 (relating to confidentiality and disclosure of returns and return information).]</p> <p>[SEC. 112. Except to the extent provided in section 6014, 6020, or 6201(d) of the Internal Revenue Code of 1986, no funds in this or any other Act shall be available to the Secretary of the Treasury to provide to any person a proposed final return or statement for use by such person to satisfy a filing or reporting requirement under such Code.]</p> <p>[SEC. 113. In addition to the amounts otherwise made available in this Act for the Internal Revenue Service, \$290,000,000, to be available until September 30, 2017, shall be transferred by the Commissioner to the "Taxpayer Services", "Enforcement", or "Operations Support" accounts of the Internal Revenue Service for an additional amount to be used solely for measurable improvements in the customer service representative level of service rate, to improve the identification and prevention of refund fraud and identity theft, and to enhance cybersecurity to safeguard taxpayer data: <i>Provided</i>, That such funds shall supplement, not supplant any other amounts made available by the Internal Revenue Service for such</p>	<p>Section 109 is unnecessary since obligation and outlay of funds on conferences are already subject to adequate review and departmental policies.</p> <p>Section 110 is unnecessary since employee records are already considered according to agency processes prior to hiring or award issuance.</p> <p>Section 111 is unnecessary since these behaviors are prohibited under existing, permanent law.</p> <p>Section 112 is unnecessary because the IRS does not currently complete these activities.</p> <p>Section 113 is unnecessary. The amounts provided in FY 2016 are accounted for in the FY 2017 Budget request for the four main appropriations accounts.</p> <p>The IRS requests Streamlined Critical Pay (SCP) authority through September 30, 2021. This SCP authority expired</p>
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<p>purpose: <i>Provided further</i>, That such funds shall not be available until the Commissioner submits to the Committees on Appropriations of the House of Representatives and the Senate a spending plan for such funds: <i>Provided further</i>, That such funds shall not be used to support any provision of Public Law 111–148, Public Law 111–152, or any amendment made by either such Public Law.]</p> <p><i>SEC. 106. Section 9503(a) of title 5, United States Code, is amended by striking the clause "before September 30, 2013" and inserting "before September 30, 2021".</i></p> <p><i>SEC. 107. Section 9503(a)(5) of title 5, United States Code, is amended by inserting before the semicolon the following: "renewable for an additional two years, based on a critical organizational need".</i></p> <p><i>SEC. 108. Section 1344(b)(6) of title 31, United States Code, is amended by adding a comma before "the Administrator of the Drug Enforcement Administration", by striking "and" after "Drug Enforcement Administration", and by inserting ", and the Commissioner of Internal Revenue" after "National Aeronautics and Space Administration".</i></p>	<p>September 30, 2013. Currently there are 14 senior employees under SCP appointments, down from a high of 30. If the SCP is not renewed, the IRS will face challenges recruiting and retaining top-level talent through FY 2017 as the remaining SCP term appointments expire , especially IT professionals who can help protect taxpayer data from cyber-attacks and who are working to modernize the IRS’s IT infrastructure.</p> <p>The IRS requests that the IRS Commissioner position be permanently added to 31 U.S.C § 1344(b)(6) as one of the government officials with authorized home-to-work transportation. This is due to security concerns.</p>
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2C – Legislative Proposals

Streamlined Critical Pay Authority

The IRS requests Streamlined Critical Pay (SCP) authority through September 30, 2021. The authority to make new SCP appointments expired September 30, 2013. Currently there are approximately 14 senior employees under SCP appointments, down from a high of 30. If the SCP is not renewed, the IRS will face challenges recruiting and retaining top-level talent through FY 2017 as the remaining SCP term appointments expire , especially IT professionals who can help protect taxpayer data from cyber-attacks and who are working to modernize the IRS's IT infrastructure. According to Treasury Inspector General for Tax Administration report 2015-IE-R001, *The Internal Revenue Service’s Use of Its Streamlined Critical Pay Authority*, “Private sector expertise had been crucial to introducing new leadership to supplement in-house expertise, and the IRS had taken advantage of the private sector expertise by retaining the critical pay appointees whenever feasible.”

Commissioner Transportation

The IRS requests that the IRS Commissioner position be permanently added to 31 U.S.C § 1344(b)(6) as one of the government officials authorized home-to-work transportation. The IRS Criminal Investigations unit completed an extensive assessment of

the Commissioner's threat environment and has classified the threat status as high. The Treasury Inspector General for Tax Administration (TIGTA) has also recommended that precautions continue to be taken regarding the Commissioner's safety due to the elevated threat environment.

2D – Legislative Tax Proposals

These legislative proposals are intended to reduce the tax gap and improve tax compliance with minimal taxpayer burden. The new tax gap proposals that were included in the FY 2017 President's Budget were estimated by the Treasury Office of Tax Analysis (OTA) to increase revenue by \$82.2 billion over the next 10 years. The majority of the estimated revenue includes revenue generated by the FY 2017 program integrity cap adjustment investments. These proposals will reduce the tax gap by expanding information reporting and sharing, improving compliance by businesses, and strengthening tax administration. The IRS estimates the implementation cost for these FY 2017 President's Budget tax gap proposals to be \$57.2 million (excluding the program integrity cap adjustment's ten-year cost) over three years, including the initial startup, processing, and compliance operational costs (the cost for these legislative proposals is provided below). In a few cases, estimates are not yet available due to timing.

Expand information reporting – Compliance with the tax laws is highest when payments are subject to information reporting to the IRS. Specific information reporting proposals would:

- Require a certified Taxpayer Identification Number (TIN) from contractors and allow certain withholding (\$11.5 million);
- Require information reporting for private separate accounts of life insurance companies (\$0);
- Provide an exception to the limitation on disclosing tax return information to expand TIN matching beyond forms where payments are subject to backup withholding;
- Provide for reciprocal reporting of information in connection with the implementation of the FATCA (\$4.2 million); and
- Require Form W-2 reporting for employer contributions to defined contribution plans (\$1.7 million).

Improve compliance by businesses – Improving compliance by businesses of all sizes is important due to their role in tax administration (through employment taxes) and to ensure equity across the tax system. Specific proposals to improve compliance by businesses would:

- Increase certainty with respect to worker classification (\$1.9 million);
- Increase information sharing to administer excise taxes (\$0); and
- Provide authority to readily share beneficial ownership information of U.S. companies with law enforcement (\$4.3 million).

Strengthen tax administration – The IRS has taken a number of steps under existing law to improve compliance. These efforts would be enhanced by specific tax administration proposals that would:

- Impose liability on shareholders to collect unpaid income taxes of applicable corporations (\$0.1 million);
- Implement a program integrity statutory cap adjustment for tax administration (\$17.5 billion);
- Revise offer-in-compromise application rules (\$17.8 million);
- Make repeated willful failure to file a tax return a felony (\$0);
- Facilitate tax compliance with local jurisdictions (\$1.2 million);
- Improve investigative disclosure statute (\$0);
- Allow IRS to absorb credit and debit card processing fees for certain tax payments (\$9.6 million);
- Provide the IRS with greater flexibility to address correctable errors (\$1.4 million);
- Enhance electronic filing of returns (\$0);
- Improve the whistleblower program (\$0);
- Index all penalties for inflation (\$0.8 million);
- Combat tax-related identity theft (\$2.7 million);
- Allow states to send notices of intent to offset federal tax refunds to collect state tax obligations by regular first-class mail instead of certified mail (\$0)
- Accelerate information return filing due dates (\$0);
- Increase oversight of paid tax return preparers (\$0);
- Enhance feasibility of the administration of the appraiser penalty (\$0);

2E – Strategic Objective Annual Review (SOAR)

The GPRA Modernization Act of 2010 requires each federal agency to conduct a review of performance goals and objectives on an annual basis. This Strategic Objective Annual Review (SOAR), conducted across Treasury with participation from the IRS, serves as an annual assessment of progress to improve program outcomes and looks at opportunities for productivity gains using a variety of analytical, research, and evaluation methods to support the assessment.

Based on the FY 2015 SOAR, the IRS identified two next steps: (1) Implement first ACA filing season, and (2) Concisely articulate IRS enforcement and service priorities.

In FY 2015, the IRS made significant progress in addressing these SOAR focus areas through the successful delivery of several Quarterly Performance Review (QPR) priority projects. Actions completed to date include:

Provided outreach communications, customer service, and stakeholder collaboration on the ACA tax provisions during the second ACA open enrollment period and the first ACA Filing Season. The IRS integrated technology to support ACA Filing Season 2015 tax administration processing, allowing taxpayers to report health insurance coverage, claim health coverage exemptions, report a shared responsibility payment, and claim the ACA Premium Tax Credit. The IRS built a new system, the ACA Verification Service (AVS), to enable at-filing checks of tax returns for reporting the Premium Tax Credit, leveraging third-party data from the Insurance Marketplaces, and validating ACA-related tax forms. This system, which processed millions of tax returns, helped identify fraudulent and erroneous returns at the initial processing stage, reducing the number of refunds disbursed in error. In addition to making progress in completing the SOAR next steps, the IRS also completed major milestones on the following priority initiatives tracked through the Department's Quarterly Performance Reviews (QPRs)

- Achieved a major milestone by opening the first release of the International Data Exchange Service (IDES) Gateway. IDES enables both Financial Institutions and Host Country Tax Administrations to comply with their Foreign Account Tax Compliance Act (FATCA) reporting obligations by safely and securely sending electronic FATCA reports to the IRS.
- Initiated the Return Review Program (RRP) pilot project. The RRP successfully loaded and scored over 99 million electronic refund returns. Of those returns, nearly 800,000 were identified as potential ID theft fraud, representing over \$4.7 billion in government revenues protected. By identifying suspicious cases up front, RRP was able to reduce the amount of manual analysis work by 19 percent. In its inaugural filing season, RRP did not miss a single day of processing returns, identifying potential ID theft, and protecting taxpayer revenues.
- Received Executive Steering Committee approval of the Customer Account Data Engine (CADE) 2 Transition State 2 (TS2) five-year release plan. In addition to continued support of the IRS's current tax processing needs, the plan includes expansion of CADE 2 capabilities. The TS2 five-year release plan will address the

Unpaid Assessment Financial Material Weakness, leverage the CADE 2 database as the Authoritative Source for Financial Statement Audit and Reporting, and begin the migration of core Individual Master File (IMF) functions from Assembly Language Code (ALC) to a modern computer language. Notably, an update in FY 2015 prevented issuance of erroneous notices for limited Failure to Pay Penalties and another enabled capturing historic financial data expected to be useful in audit processes.

- Completed 10 cross-organizational projects to upgrade and improve existing website content to better meet the needs of online audiences, continually improving the online experience provided to taxpayers on many IRS.gov website pages. The IRS developed a multi-year strategy to convert many tax publications and instructions into the user-friendly e-Pub electronic format. This digital publishing standard adapts traditional paper formats into a format readable by mobile devices such as tablets, e-readers, and smartphones and also meets accessibility requirements.

A summary of IRS accomplishments that directly support the SOAR can be found in Section 1B, Vision, Priorities, and Context. A detailed discussion of the performance measures associated with the above focus areas can be found in Section 3. More detailed information on the IRS FY 2015 accomplishments can be found in the Management's Discussion and Analysis section of the audit report, *Financial Audit - IRS's Fiscal Years 2015 and 2014 Financial Statements* dated November 2015 (GAO-16-146).

2F – IRS Use of Evidence and Evaluation

The IRS continues to improve program performance by applying existing evidence about what works and by using research and innovation to improve program delivery.

Significant Accomplishments

Reducing Taxpayer Burden and Improving Compliance

- Post-Filing Model: The IRS has developed a model of the post-filing interactions between taxpayers and the IRS, accounting for various post-filing treatment streams, with a focus on taxpayer burden, IRS costs, cycle time, and compliance outcomes. The model is used to inform the campus exam plan along with the design and analysis of nonfiler outreach and enforcement treatments. The underlying research study is being updated based on more recent taxpayer experience and is also being extended to cover the experience of corporate and partnership taxpayers.
- Behavioral Economics Research: The IRS is engaged in a set of pilots and research studies aiming to better align treatments to taxpayer behavior. These include randomized controlled trials of outreach programs to encourage compliant participation in the Earned Income Tax Credit and the American Opportunities Tax Credit, filing compliance outreach and pre-emptive communication, and collection treatments. The research applies principles of behavioral economics in the design and analysis of the treatments. The analysis further considers the salience and flow of information to and among taxpayers in evaluating both direct and indirect effects of IRS treatments.

Highest Priorities

Improving the Effectiveness of the IRS

- Evaluation of Statistics of Income (SOI) Major Programs: The IRS SOI office will continue evaluations of its income tax products, determine projected future needs, and identify areas of potential cost savings. The evaluations conducted to date have suggested new directions for the individual income files and changes over the next 5-years in the production and delivery of business tax data to better represent increased globalization. SOI plans to continue evaluating the remainder of its products in FY 2016. The Division is also incorporating customer feedback and the effects of the changing data landscape into its 5-year business plan; a draft will be available by the end of the fiscal year.
- Creating More Accessible Statistics: SOI is developing a comprehensive plan to modernize its public communications efforts. Planned initiatives include extensive data visualizations, social media outreach, and redesigned web pages. A redesign of the *IRS Data Book* is already in process.

- Linking Data across Forms: SOI is initiating new projects to increase its ability to link data across tax and information returns. Linked data products will assist users in developing more comprehensive analysis and better understanding taxpayer behavior.

Implementation Updates for OMB Memo M-14-06

- Incarceration Data: SOI provided Treasury with a copy of an IRS administrative data file containing information on U.S. Citizens who have been incarcerated. Treasury will use the file for studies of how individuals who have served time in prison use various tax expenditures to both help their families during periods of imprisonment and improve their economic circumstances once they have been released. This file may also be used to study the long-term economic effects of imprisonment on various U.S. demographic groups.
- Providing Information on the Tax System to the Public: During FY 2015, SOI released the 2012 Corporation Source Book online. This publication includes nearly 450 electronic tables that present corporate tax data by industrial sector as well as by major and minor industries within sector. SOI also released tables for the 2012 Corporation Income Tax Returns Complete Report on the IRS webpage, Tax Stats. These tables consist of extensive corporate tax data classified primarily by size of total assets and size of total tax receipts.

To date in FY 2015, SOI has also released more than 380 additional tables containing detailed information on a wide range of topics. Significantly, SOI released the 2012 state and county level migration data, which are based on year-to-year address changes reported on individual income tax returns. State-level files track inflows and outflows and include both origins and destinations by county. SOI's other releases included time-series tables showing number of returns, adjusted gross income, and total income tax for individual taxpayers, by percentile, for TY 2001 to TY 2012, as well as TY 2012-updated data for corporations, partnerships, and sole proprietorships.

Section 3 – Budget and Performance Plan

Taxpayer Services

Appropriation Description

The Taxpayer Services appropriation provides funding for taxpayer service activities and programs. This includes printing forms and publications, processing tax returns and related documents, offering filing and account services, providing taxpayer assistance, and providing taxpayer advocacy services.

The Taxpayer Services budget request for FY 2017 is \$2,406,318,000 in direct appropriations and 31,056 FTE. This is an increase of \$72,942,000 or 3.13 percent, and 686 FTE more than the FY 2016 Enacted level of \$2,333,376,000 and 30,370 FTE.

The performance measures reflected in this section align with *Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems, Objective 3.3: Pursue tax reform, implement the ACA and FATCA, and improve the execution of the tax code* of the Department of Treasury's Strategic Plan for FY 2014 – FY 2017 Strategic Plan.

2.1 – Budget Adjustments Table

Dollars in Thousands

Taxpayer Services	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	27,887	\$2,156,554
FY 2016 Administrative Provision 113	2,483	\$176,822
Improve Taxpayer Service	2,483	176,622
Strengthening the Prevention of Identity Theft		200
FY 2016 Enacted	30,370	\$2,333,376
Changes to Base:		
Maintaining Current Levels (MCLs):		\$33,446
Pay Annualization		6,440
Pay Raise		23,856
Non-Pay		3,150
Efficiencies/Savings:	(72)	(\$3,708)
Increase e-File Savings	(72)	(3,708)
Subtotal FY 2017 Changes to Base	(72)	\$29,738
FY 2017 Current Services (Base)	30,298	\$2,363,114
Program Increases:		
Budget Request Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Improve Taxpayer Service	604	33,503
Subtotal	604	\$33,503
Focus Area: Strengthen Cybersecurity and Eliminate Identity Theft		
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	154	9,701
Subtotal	154	\$9,701
Subtotal FY 2017 Budget Request Program Increases	758	\$43,204
Total FY 2017 Total Budget Request	31,056	\$2,406,318
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	686	\$72,942
Percent Change FY 2017 Budget Request over FY 2016 Enacted	2.26%	3.13%

2.2 – Operating Levels Table

Dollars in Thousands

Taxpayer Services Object Classification	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
11.1 Full-Time Permanent Positions	1,457,204	1,606,843	1,656,581
11.3 Other than Full-Time Permanent Positions	40,876	43,497	44,168
11.5 Other Personnel Compensation	35,485	66,350	69,662
11.8 Special Personal Services Payments	617	886	899
11.9 Personnel Compensation (Total)	1,534,182	1,717,576	1,771,310
12.0 Personnel Benefits	494,627	420,188	435,578
13.0 Benefits to Former Personnel	70		
Total Personnel and Compensation Benefits	\$2,028,879	\$2,137,764	\$2,206,888
21.0 Travel	12,184	18,415	19,314
22.0 Transportation of Things	754	709	720
23.2 Rent Payments to Others			
23.3 Communications, Utilities, & Misc	1,213	1,490	1,515
24.0 Printing & Reproduction	7,955	8,843	8,983
25.1 Advisory & Assistance Services	26,007	22,735	23,141
25.2 Other Services	6,854	37,312	38,400
25.3 Purchase of Goods & Services from Govt. Accounts	65,813	64,459	65,516
25.4 Operation & Maintenance of Facilities	2	2	3
25.7 Operation & Maintenance of Equipment		1,510	1,535
25.8 Subsistence & Support of Persons	177		
26.0 Supplies and Materials	5,031	5,666	5,815
31.0 Equipment	185	332	338
41.0 Grants, Subsidies	18,254	33,500	33,500
42.0 Insurance Claims & Indemnities	376	639	650
Total Non-Personnel	\$144,805	\$195,612	\$199,430
New Appropriated Resources	\$2,173,684	\$2,333,376	\$2,406,318
Budget Activities:			
Pre-filing Taxpayer Assistance & Education	609,196	629,920	643,197
Filing & Account Services	1,564,488	1,703,456	1,763,121
New Appropriated Resources	\$2,173,684	\$2,333,376	\$2,406,318
FTE	27,476	30,370	31,056

2.3 – Appropriation Detail Table

Dollars in thousands

Taxpayer Services								Change		% Change	
Appropriated Resources		FY 2015 Actual		FY 2016 Enacted ¹		FY 2017 Request		FY 2016 to FY 2017 Request		FY 2016 to FY 2017 Request	
		FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:											
Pre-Filing Taxpayer Assistance and Education		5,349	\$609,196	5,499	\$629,920	5,532	\$643,197	33	\$13,277	0.60%	2.11%
Filing and Account Services		22,127	1,564,488	24,871	1,703,456	25,524	1,763,121	653	59,665	2.63%	3.50%
Subtotal New Appropriated Resources		27,476	\$2,173,684	30,370	\$2,333,376	31,056	\$2,406,318	686	\$72,942	2.26%	3.13%
Other Resources:											
Reimbursables		464	30,198	487	34,729	512	36,465	25	1,736	5.13%	5.00%
Offsetting Collections - Non Reimbursables											
User Fees		71	44,694	661	103,496	1,377	116,841	716	13,345	108.32%	12.89%
Recovery from Prior Years											
Unobligated Balances from Prior Years		110	14,304		11,000		12,000		1,000		9.09%
Transfers In/Out											
Resources from Other Accounts ²		287									
Subtotal Other Resources		932	\$89,196	1,148	\$149,225	1,889	\$165,306	741	\$16,081	64.55%	10.78%
Total Budgetary Resources		28,408	\$2,262,880	31,518	\$2,482,601	32,945	\$2,571,624	1,427	\$89,023	4.53%	3.59%

¹ FY 2016 Enacted includes \$176.8 million in Section 113 Administrative Provision funding for Taxpayer Services.

² Resources from Other Accounts include Other Direct FTE funded by the Department of Health and Human Services (287 FTE in FY 2015).

3A – Pre-Filing Taxpayer Assistance and Education (\$643,197,000 in direct appropriations, \$83,000 from reimbursable programs, and an estimated \$3,386,000 from user fees): This budget activity funds services to assist taxpayers with understanding and meeting their tax obligations, including tax law interpretation, publication, production, and advocate services. The program activities include the following:

- *Pre-Filing Services Management* supports headquarters management associated with Customer Assistance Relationship and Education (CARE). CARE provides pre-filing taxpayer assistance and education.
- *Taxpayer Communication and Education* researches customer needs; develops and manages educational programs; establishes partnerships with stakeholder groups; and disseminates tax information to taxpayers and the general public through a variety of media, including publications and mailings, websites, broadcasting, and advertising.
- *Media and Publications* develops and produces notices, forms, and publications for printed and electronic tax materials, and provides media production services to taxpayers.
- *Taxpayer Advocacy* provides advocate services to taxpayers by identifying the underlying causes of taxpayer problems and participating in the development of systematic and/or procedural remedies.
- *Account Management and Assistance – Field Assistance* provides face-to-face assistance, education, and compliance services to taxpayers. It includes return preparation, answering tax questions, resolving account and notice inquiries, and supplying forms and publications to taxpayers.
- *Taxpayer Advocate Case Processing* provides advocate services to taxpayers to resolve taxpayer problems through prompt identification, referral, and settlement.
- *W&I HQ Management and Administration* provides staffing, training, and direct support for Wage and Investment management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion, business modernization, and embedded training.
- *National Distribution Center* processes orders for IRS forms and publications received from individual taxpayers, tax practitioners, and IRS tax return preparation partners.

Description of Performance

In FY 2015, the IRS timely delivered 89 percent (97 out of 109) of the Critical Individual Filing Season Tax Products to the public by the fifth workday of January. The Tax Increase Prevention Act of 2014; the Tax Technical Corrections Act of 2014; and the Achieving a Better Life Experience (ABLE) Act of 2014, were enacted on December 19, 2014, and had major implications and directly impacted reaching the FY 2015 goal of 95 percent. While 89 percent of the tax products were made available to the public by January 8, 2015 date, 93 percent (101 of 109) of them were available to the public by the January 20th filing season start date. While IRS cannot control the timeliness of tax-related legislation, procedures are in place to mitigate the impact of late legislation. For example, in early January 2015, a Joint Committee on Taxation report, identified 52 tax provisions that expired on

December 31, 2014 that may be extended by legislation before the start of the 2016 filing season. The IRS plans to implement its “best practice” of reserving lines on tax returns in advance of anticipated extended legislation for the coming year. Reserving lines provides flexibility and expedites the process for implementing legislative changes due to extenders rather than initiating new development at the end of the tax year. The practice also allows for the most productive and efficient use of resources. IRS will continue to release products not affected by legislation early to devote more time to analyze, develop, and post or print the tax products affected by late changes to legislation. To achieve future targets IRS will continue to employ this strategy. In FY 2016 and FY 2017, the IRS will lower the target to 87 percent due to anticipated legislation passed late in the year that will impact form and product development.

In FY 2015, the IRS Timeliness of Critical Tax Exempt and Government Entities (TE/GE) and Business Filing Season Tax products to the Public was 92.6 percent (151 of 163), falling short of the FY 2015 target of 95 percent. As discussed above, the passage of late legislation negatively impacted reaching the year-end target. To ensure meeting future targets, the IRS will plan, monitor, and coordinate all product development and delivery activities. The IRS will also continue to evaluate its processes so that mitigation strategies can be implemented quickly, as necessary. In FY 2016 and FY 2017, the IRS will lower the target to 87 percent for providing Critical TE/GE and Business Tax Products to the Public due to anticipated legislation passed late in year.

Taxpayer Self-Assistance Rate reached 88.7 percent through FY 2015, exceeding the FY 2014 rate of 84.7 percent and the FY 2015 target of 85 percent. This increase is primarily attributed to a 28 percent increase in web services including significantly more taxpayers using the *Where's My Refund?* application to request the status of their refund. Self-Service channels continue to experience an increase in demand due to shifting customer preferences as more taxpayers choose to use automated applications to resolve issues and questions instead of traditional methods of contacting the IRS including telephone and written correspondence or walk-in visits to Taxpayer Assistance Centers. In FY 2016 and FY 2017, the IRS is devoting substantial resources to bolster traditional methods in order to better meet demand. Through continued use of automation, the IRS expects to achieve the FY 2016 goal of 90 percent and FY 2017 target of 89 percent. The IRS will continue to look for new applications that support the needs of the taxpayer as well as its ability to manage resources efficiently as possible in order to meet all future goals.

FY 2017 Changes by Budget Activity

Dollars in Thousands

Pre-Filing Taxpayer Assistance & Education	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	5,499	\$629,920
FY 2016 Administrative Provision 113		
Improve Taxpayer Service		
Cyber Security		
Strengthening the Prevention of Identity Theft		
FY 2016 Enacted	5,499	\$629,920
Changes to Base:		
Maintaining Current Levels (MCLs):		\$9,776
Pay Annualization		1,817
Pay Raise		6,729
Non-Pay		1,230
Efficiencies/Savings:		
Increase e-File Savings		
Subtotal FY 2017 Changes to Base		\$9,776
FY 2017 Current Services (Base)¹	5,499	\$639,696
Program Increases:		
Budget Request Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Implement Changes to Deliver Tax Credits and Other Requirements for the Affordable Care Act		
Leverage New Technologies to Advance the IRS Mission		
Improve Taxpayer Service	14	1,482
Subtotal	14	\$1,482
<i>Drive More Agility and Efficiency in IRS Operations</i>		
Enterprise Electronic Records Management Solution		
Subtotal		
<i>Strategic Focus: Strengthen Cybersecurity and Eliminate Identity Theft</i>		
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	18	2,019
Subtotal	18	\$2,019
Subtotal FY 2017 Budget Request Program Increases	32	\$3,501
Total FY 2017 Total Budget Request	5,531	\$643,197
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	32	\$13,277
Percent Change FY 2017 Budget Request over FY 2016 Enacted	0.58%	2.11%

3.1.1 – Budget and Performance Report and Plan

Pre-Filing Taxpayer Assistance & Education Budget and Performance Plan

Dollars in Thousands

Pre-Filing Taxpayer Assistance & Education Resource Level	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources ¹	\$679,924	\$678,204	\$625,189	\$605,761	\$610,496	\$621,516	\$629,920	\$643,197
Reimbursable Resources ²	862	1,135	96		46	51	79	83
User Fees ²	5,514		22,460	6,400	22,400	4,141	11,039	3,386
Budget Activity Total	\$686,300	\$679,339	\$647,745	\$612,161	\$632,942	\$625,708	\$641,038	\$646,666

¹The FY 2010 - FY 2015 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2010 - FY 2015 columns represent realized resources for reimbursables and user fees.

Pre-Filing Taxpayer Assistance & Education Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Timeliness of Critical Filing Season Tax Products to the Public (Ot)	95.3%	96.3%	97.2%	58.9%	99.1%	89.0%	95.0%	87.0%	87.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public (Ot)	97.7%	96.4%	94.5%	83.6%	98.7%	92.6%	95.0%	87.0%	87.0%
Taxpayer Self-Assistance Rate (E) (L)	64.4%	70.1%	78.5%	83.3%	84.7%	88.7%	85.0%	90.0%	89.0%

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and L - Long Term Goal

3B – Filing and Account Services (\$1,763,121,000 in direct appropriations, an estimated \$36,382,000 from reimbursable programs, and an estimated \$113,455,000 from user fees):

This budget activity funds programs that provide filing and account services to taxpayers, process paper and electronically-submitted tax returns, issue refunds, and maintain taxpayer accounts. The IRS continues to make progress in decreasing paper returns and increasing the use of electronic filing and payment methods. The program activities include the following:

- *Filing and Account Services Management* administers filing and account services programs.
- *Submission Processing* processes paper and electronically submitted tax returns and supplemental documents, accounts for tax revenue, processes information documents, and issues refunds and tax notices.
- *Account Management and Assistance – Electronic/Correspondence Assistance* provides education and assistance to taxpayers and resolves accounts and notice inquiries through telephone, paper, and internet correspondence.
- *Electronic Products and Services Support* provides centralized operations and support capabilities for the IRS suite of electronic products, including e-help desk, technology support, and operations support.
- *Electronic Tax Administration (ETA)* markets and administers electronic tax administration products and services.
- *Business Performance Lab* recommends and manages systemic solutions for the detection and treatment of improper refunds while ensuring effective treatment for payment of valid refund claims, leads the development of innovative business processes and technology solutions and represents Return Integrity & Compliance Services (RICS) interest in support of the service-wide revenue protection strategy.

- *Pre-Refund* provides coordination support for the pre-refund activities to ensure timely issuance of refunds and credits that are legally due to taxpayers.
- *Joint Operations Center (JOC)* provides service, support, and technology for telephone, correspondence, and electronic media inquiries; real time monitoring and routing of inbound calls; monitoring of Customer Service Representative accuracy; and management of the enterprise telephone database.

Description of Performance

Millions of individual and business taxpayers file their returns electronically. In FY 2015, the IRS achieved an 85.3 percent individual e-file rate and a 47 percent business e-file rate. Both the individual and business e-file rates exceed the FY 2015 targets. The overall benefits of e-file (i.e. faster refunds, greater accuracy, secure and confidential submission, quick confirmation, and the ability to file online) continue to drive performance. The IRS is also promoting the benefits of e-filing via social media. The IRS will increase the individual e-filing target to 86 percent for FY 2016 and FY 2017 and the business e-filing target will increase to 48 percent for FY 2016 and FY 2017. IRS will continue to process individual and business returns as efficiently as possible to meet future plans.

In FY 2015, Customer Accuracy – Tax Law was at 95 percent, exceeding the target of 92 percent. IRS will continue to monitor results through data driven analysis of reports obtained from Embedded Quality Review System (EQRS) to ensure achievement of the FY 2016 goal. The IRS will continue to hold weekly conference calls to discuss quality defects/errors and procedures to ensure the target is met. For FY 2016 and FY 2017, the IRS will keep the tax law accuracy targets at 92 percent, as responding to legislative changes in tax laws will continue to be a major challenge moving forward.

In FY 2015, the IRS correctly answered 95.5 percent of account questions via the telephone, exceeding the target of 94 percent. The IRS expects to maintain high performance on the Customer Accuracy – Accounts (Phones) and will achieve the FY 2016 and FY 2017 target of 94 percent through ongoing efforts to focus on promoting coding consistency of product reviews and providing training to managers and employees to ensure quality service.

In FY 2015, the IRS Customer Contacts Resolved per Staff Year reached 26,245, exceeding last year's result and the FY 2015 target of 21,000. This measure includes activities such as automated and assistor calls answered and web services completed. The increase is attributed to a 28 percent increase in web usage including a significant jump in *Where's My Refund?* usage. The FY 2016 target is set at 28,000 with an expected increase in web usage. The FY 2017 target is set at 25,700, as IRS expects more employee assisted calls. To achieve these targets, the IRS will continue to provide efficient responses to customer contacts with the resources available and provide more self-service applications on IRS.gov.

In FY 2015, the Customer Service Representative Level of Service (LOS) was 38.1 percent, exceeding the FY 2015 target of 38.0 percent. Additional funding provided in FY 2016, and supplemented with user fees, will allow the IRS to achieve a projected LOS of 47.0 percent for the full year, including 65.0 percent LOS during filing season. The FY 2017 Budget, supplemented with approximately \$100 million in user fees, provides sufficient funding to

achieve a projected 70.0 percent LOS for the full year including filing season. Sustained reductions in funding have led to a long-term decline in LOS. In FY 2015, low LOS, coupled with limited telephone port capacity, led to a higher demand than could be adequately handled. When demand exceeds available system capacity, callers are disconnected. These Courtesy Disconnects increased 1,162 percent in FY 2015 compared to FY2014 (17.7 million vs. 1.4 million). Weather related closures during the second quarter and several system outages in the third quarter caused a 162 percent increase in emergency closure messages.

Refund timeliness is defined as the percentage of paper refunds issued within 40 days or less. In FY 2015, Refund Timeliness reached 98.8 percent, exceeding the FY 2015 target of 94 percent as the number of paper refunds continued to decline. There was a 7.5 percent decrease in the number of paper refunds compared to the same period in FY 2014. IRS will continue to monitor IMF return cycles and inventories through various reports and production meetings to ensure this target is met. For FY 2016 and FY 2017, the IRS expects to achieve a target of 97 percent.

FY 2017 Changes by Budget Activity

Dollars in Thousands

Filing and Account Services	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	22,388	\$1,526,634
FY 2016 Administrative Provision 113	2,483	\$176,822
Improve Taxpayer Service	2,483	176,622
Cyber Security		
Strengthening the Prevention of Identity Theft		200
FY 2016 Enacted	24,871	\$1,703,456
Changes to Base:		
Maintaining Current Levels (MCLs):		\$23,670
Pay Annualization		4,623
Pay Raise		17,127
Non-Pay		1,920
Efficiencies/Savings:	(72)	(\$3,708)
Increase e-File Savings	(72)	(3,708)
Subtotal FY 2017 Changes to Base	(72)	\$19,962
FY 2017 Current Services (Base)¹	24,799	\$1,723,418
Program Increases:		
Budget Request Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Implement Changes to Deliver Tax Credits and Other Requirements for the Affordable Care Act		
Leverage New Technologies to Advance the IRS Mission		
Improve Taxpayer Service	590	32,021
Subtotal	590	\$32,021
<i>Drive More Agility and Efficiency in IRS Operations</i>		
Enterprise Electronic Records Management Solution		
Subtotal		
<i>Strategic Focus: Strengthen Cybersecurity and Eliminate Identity Theft</i>		
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	136	7,682
Subtotal	136	\$7,682
Subtotal FY 2017 Budget Request Program Increases	726	\$39,703
Total FY 2017 Total Budget Request	25,525	\$1,763,121
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	654	\$59,665
Percent Change FY 2017 Budget Request over FY 2016 Enacted	2.63%	3.50%

3.1.2 – Budget and Performance Report and Plan

Filing and Account Services Budget and Performance Plan

Dollars in Thousands

Filing and Account Services Resource Level	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources ¹	\$1,614,418	\$1,630,549	\$1,614,514	\$1,529,792	\$1,546,058	\$1,565,038	\$1,703,456	\$1,763,121
Reimbursable Resources ²	21,993	27,857	20,759	37,535	28,555	30,147	34,650	36,382
User Fees ²	115,998	128,966	152,136	184,599	160,342	40,553	92,457	113,455
Budget Activity Total	\$1,752,409	\$1,787,372	\$1,787,409	\$1,751,926	\$1,734,955	\$1,635,738	\$1,830,563	\$1,912,958

¹The FY 2010 - FY 2015 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2010 - FY 2015 columns represent realized resources for reimbursables and user fees.

Filing and Account Services Measures	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Percent Individual Returns Processed Electronically (Oe) (L)	69.3%	76.9%	80.5%	82.5%	84.1%	85.3%	84.6%	86.0%	86.0%
Percent of Business Returns Processed Electronically (Oe)	25.5%	31.8%	36.7%	40.2%	43.1%	47.0%	46.5%	48.0%	48.0%
Customer Accuracy - Tax Law (Phones) (Ot)	92.7%	93.4%	93.2%	95.7%	95.0%	95.0%	92.0%	92.0%	92.0%
Customer Accuracy - Accounts (Phones) (Ot)	95.7%	96.0%	95.6%	96.0%	96.2%	95.5%	94.0%	94.0%	94.0%
Customer Contacts Resolved per Staff Year (E)	10,744	12,419	16,320	20,767	21,018	26,245	21,000	28,000	25,700
Customer Service Representative Level of Service (Oe) (L)	74.0%	70.1%	67.6%	60.5%	64.4%	38.1%	38.0%	47.0%	70.0%
Refund Timeliness - Individual (Paper) (Ot)	96.1%	99.4%	99.7%	99.0%	98.7%	98.8%	94.0%	97.0%	97.0%
Cost per Taxpayer Served (\$) (HCTC) (E)	\$9.52	\$12.36	\$14.43	\$13.41	N/A	N/A	N/A	N/A	N/A
Sign-up Time (Days) - Customer Engagement (HCTC) (Ot)	124.0	117.0	116.0	125.2	N/A	N/A	N/A	N/A	N/A

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and L - Long Term Goal

Enforcement

Appropriation Description

The Enforcement appropriation provides funding for the examination of tax returns, both domestic and international; administrative and judicial settlement of taxpayer appeals of examination findings; technical rulings; monitoring of employee pension plans; determination of qualifications of organizations seeking tax-exempt status; examination of tax returns of exempt organizations; enforcement of statutes relating to detection and investigation of criminal violations of the internal revenue laws; identification of underreporting of tax obligations; securing of unfiled tax returns; and collection of unpaid accounts.

The Enforcement budget request for FY 2017 is \$4,984,919,000 in direct appropriations and 39,141 FTE. This is an increase of \$119,983,000, or 2.47 percent, and 301 FTE more than the FY 2016 Enacted level of \$4,864,936,000 and 38,840 FTE. The total Enforcement budget request including the program integrity cap adjustment is \$5,216,263,000 and 41,028 FTE.

The performance measures reflected in the Enforcement appropriation support and align to *Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems, Objective 3.3: Pursue tax reform, implement the Patient Protection and Affordable Care Act and Foreign Account Tax Compliance Act, and improve the execution of the tax code* of the Department of the Treasury's FY 2014 – FY 2017 Strategic Plan.

2.1 – Budget Adjustments Table

Dollars in Thousands

Enforcement	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	38,840	\$4,860,000
FY 2016 Administrative Provision 113		\$4,936
Strengthening the Prevention of Identity Theft		4,936
FY 2016 Enacted	38,840	\$4,864,936
Changes to Base:		
Maintaining Current Levels (MCLs):		\$75,008
Pay Annualization		14,952
Pay Raise		55,386
Non-Pay		4,670
Subtotal FY 2017 Changes to Base		\$75,008
FY 2017 Current Services (Base)	38,840	\$4,939,944
Program Increases:		
Budget Request Program Increases:		
<i>Focus Area: Strengthen Cybersecurity and Eliminate Identity Theft</i>		
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	301	44,975
Subtotal	301	\$44,975
Subtotal FY 2017 Budget Request Program Increases	301	\$44,975
Total FY 2017 Total Budget Request	39,141	\$4,984,919
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	301	\$119,983
Percent Change FY 2017 Budget Request over FY 2016 Enacted	0.78%	2.47%
Cap Adjustment Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Enterprise Case Management	22	7,369
Subtotal	22	\$7,369
<i>Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It</i>		
Increase Collection Coverage	678	58,213
Increase Audit Coverage	816	74,161
Digitizing Form 990	1	80
FATCA: Implement, Expand Filing Coverage, and Combat Criminal Non-compliance	203	49,889
Pursue Employment Tax and Abusive Tax Schemes	37	7,210
Increase Investigations of Transnational Organized Crime (TOC)	130	29,422
Subtotal	1,865	\$218,975
<i>Alcohol and Tobacco Tax and Trade Bureau Transfer:</i>		
Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activ		5,000
Subtotal		\$5,000
Subtotal FY 2017 Cap Adjustment Program Increases	1,887	\$231,344
Subtotal FY 2017 Total Program Increases Including Cap Adjustment	2,188	\$276,319
Total FY 2017 Total Budget Request Including Cap Adjustment	41,028	\$5,216,263
Dollar/FTE Change FY 2017 Budget Request including PIC over FY 2016 Enacted	2,188	\$351,327
Percent Change FY 2017 Budget Request including PIC FY 2016 Enacted	5.63%	7.22%

2.2 – Operating Levels Table

Dollars in Thousands

Enforcement Object Classification	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
11.1 Full-Time Permanent Positions	3,238,319	3,231,404	3,411,336
11.3 Other than Full-Time Permanent Positions	31,184	32,727	33,235
11.5 Other Personnel Compensation	99,942	114,087	124,871
11.8 Special Personal Services Payments	22,642	15,678	15,921
11.9 Personnel Compensation (Total)	3,392,087	3,393,896	3,585,363
12.0 Personnel Benefits	1,133,218	1,131,180	1,202,298
13.0 Benefits to Former Personnel	1		
Total Personnel and Compensation Benefits	\$4,525,306	\$4,525,076	\$4,787,661
21.0 Travel	60,041	66,676	98,152
22.0 Transportation of Things	7,198	9,060	16,591
23.1 Rental Payments to GSA	11	30	31
23.2 Rent Payments to Others	472	411	491
23.3 Communications, Utilities, & Misc	2,493	2,708	3,050
24.0 Printing & Reproduction	2,221	2,822	3,080
25.1 Advisory & Assistance Services	65,721	147,319	157,580
25.2 Other Services	29,396	48,219	65,059
25.3 Purchase of Goods & Services from Govt. Accounts	45,123	37,984	40,799
25.4 Operation & Maintenance of Facilities	20	17	18
25.5 Research & Development Contracts	2,462	1,555	1,576
25.6 Medical Care	67	43	44
25.7 Operation & Maintenance of Equipment	533	1,940	6,047
25.8 Subsistence & Support of Persons	735		
26.0 Supplies and Materials	15,814	14,888	18,473
31.0 Equipment	6,713	2,409	13,228
32.0 Land and Structures	13	12	12
42.0 Insurance Claims & Indemnities	528	764	774
91.0 Unvouchered	2,696	3,003	3,597
Total Non-Personnel	\$242,257	\$339,860	\$428,602
New Appropriated Resources	\$4,767,563	\$4,864,936	\$5,216,263
Budget Activities:			
Investigations	601,665	604,620	714,208
Exam & Collections	4,018,292	4,108,566	4,347,684
Regulatory	147,606	151,750	154,371
New Appropriated Resources	\$4,767,563	\$4,864,936	\$5,216,263
FTE	39,708	38,840	41,028

2.3 – Appropriation Detail Table

Dollars in thousands

Enforcement		FY 2015 Actual		FY 2016 Enacted ¹		FY 2017 Request		Change FY 2016 to FY 2017 Request		% Change FY 2016 to FY 2017 Request	
Appropriated Resources		FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources: ²											
Investigations		3,399	\$601,665	3,425	\$604,620	3,849	\$714,208	424	\$109,588	12.38%	18.13%
Exam and Collections		35,258	4,018,292	34,402	4,108,566	36,163	4,347,684	1,761	239,118	5.12%	5.82%
Regulatory		1,051	147,606	1,013	151,750	1,016	154,371	3	2,621	0.30%	1.73%
Subtotal New Appropriated Resources		39,708	\$4,767,563	38,840	\$4,864,936	41,028	\$5,216,263	2,188	\$351,327	5.63%	7.22%
Other Resources:											
Reimbursables		56	30,960	59	44,973	62	47,222	3	2,249	5.08%	5.00%
Offsetting Collections - Non Reimbursables		11	10,314	12	42,797	12	44,937		2,140		5.00%
User Fees		86	18,485	116	10,151	116	14,594		4,443		43.77%
Recovery from Prior Years											
Unobligated Balances from Prior Years		284	22,883		17,741		30,147		12,406		69.93%
Transfers In/Out ³			7				(5,000)		(5,000)		
Resources from Other Accounts ⁴		3		2		2					
Subtotal Other Resources		440	\$82,649	189	\$115,662	192	\$131,900	3	\$16,238	1.59%	14.04%
Total Budgetary Resources		40,148	\$4,850,212	39,029	\$4,980,598	41,220	\$5,348,163	2,191	\$367,565	5.61%	7.38%

¹FY 2016 Enacted includes \$4.9 million in Section 113 Administrative Provision funding for Enforcement.

²This includes the Program Integrity Cap Adjustment.

³Resources from Transfers In/Out include a FY 2015 transfers between IRS and the Office of National Drug Control Policy (ONDCP) High Intensity Drug Trafficking Area (HIDTA) Program (obligations \$7K), and a 2017 transfer out to the Alcohol and Tobacco Tax and Trade Bureau (TTB) (\$5M).

⁴Resources from Other Accounts include Other Direct FTE funded by the Federal Highway Administration (3 FTE projected for FY 2015, and 2 FTE projected for FY 2016 and FY 2017).

3C – Investigations (\$714,208,000 in direct appropriations and an estimated \$45,789,000 from reimbursable programs): This budget activity funds the Criminal Investigation (CI) programs that explore potential criminal and civil violations of tax laws, enforce criminal statutes relating to violations of tax laws and other financial crimes, and recommend prosecution as warranted. The program activities include the following:

- *General Management and Administration* supports the headquarters management activities of strategic planning, communications, finance, and human resources for CI activities.
- *Criminal Investigations* supports the enforcement of criminal statutes relating to violations of internal revenue laws and other financial crimes. CI investigates cases of suspected intent to defraud that involve both legal and illegal sources of income and recommends prosecution as warranted. This activity includes the investigation and prosecution of tax and money-laundering violations associated with narcotics organizations.
- *Criminal Tax Legal Support* provides legal advice and support from IRS Counsel to CI.
- *International Investigations* supports enforcement of violations involving U.S. Citizens residing abroad, non-resident aliens, expatriates, and investigations involving other international issues, including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).

Description of Performance

Criminal Investigations (CI) serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. The following measures are used to evaluate the success of achieving its mission.

In FY 2015, results for criminal investigation completions are 18.1 percent above the year-end target (3,800) and reflect a 2.6 percent decrease compared to FY 2014. Results exceeded the target mostly due to a higher than expected number of multi-defendant narcotics related investigations, which were initiated and completed earlier in FY 2015. Overall performance in FY 2015 was impacted by a significant decrease in the number of Special Agents in recent years as well as a re-focus on more complex tax case programs, which take longer to complete, and on inventory still in the judicial process. To re-focus, the Chief of CI wrote a letter to all U.S. Attorney Offices describing the overall decrease in staffing and the reduction of resources in several program areas as well as the need for IRS-CI to concentrate on core tax cases, as IRS CI is the only agency with jurisdiction over tax crimes.

CI's continued significant attrition in FY 2015 coupled with little to no hiring authority in FY 2016 will continue to negatively impact the number of completions for FY 2016 and FY 2017. CI utilized its performance projection model to establish its FY 2016 and FY 2017 year-end targets. This project model accounts for attrition, average cases per case-working agent, projected case initiations and average time to complete cases. Accumulated impact of minimal hiring in fiscal years prior to FY 2016, which led to lower staffing, case initiations and inventories, negatively influenced the performance project model for future years. The additional special agent hiring under the FY 2017 budget request will have minimal impact on CI's performance until at least FY 2018 or FY 2019 due to the length of special agent law enforcement training (6 months) and average case cycle time (300-400 days). CI will continue to utilize proven case development strategies, expand case development efforts, and leverage interagency partnerships to identify, initiate, and complete significant criminal investigations in all program areas to meet the FY 2016 target of 3,800 and the FY 2017 target of 3,600.

In FY 2015, results for the number of convictions are 6.6 percent above the year-end target (2,700) and reflect a 7.4 percent decrease compared to FY 2014. A large number of quality investigations initiated and completed in previous years (many of which were ID Theft cases) continue to be processed by the Department of Justice (DOJ). Recent decreases to the Judicial Process (pipeline) inventory will have an impact on the number of convictions in future years as well as the approximately 15 percent decrease in open inventory in FY 2015 (a decline of over 600 cases). Additional factors such as unforeseen legislative and prosecutorial priorities will also have an impact on future performance. CI management will continue to ensure appropriate and consistent contact with DOJ Tax Division and U.S. Attorney Offices regarding prosecutorial priorities and appropriate movement of pipeline investigations to meet the FY 2016 target of 2,500 and the FY 2017 target of 2,400.

In FY 2015, conviction rate is slightly lower (0.17 percent) than FY 2014 and 1.3 percent above the year-end target (92 percent). Acquittals and dismissals decreased by 32 percent and

1.5 percent, respectively, compared to FY 2014. Appropriate case selection and effective field performance continue to positively impact the number of cases resulting in convictions. Since CI does not prosecute its own cases, it must depend on the ability of DOJ to accept its cases for prosecution and move such cases through the courts. CI management will continue its current efforts of appropriate and consistent contact with DOJ Tax Division and U.S. Attorney Offices regarding prosecutorial priorities and appropriate movement of pipeline investigations, to ensure a high rate of conviction and meet the FY 2016 and FY 2017 target of 92 percent.

The Conviction Efficiency Rate is determined by taking the cost of the CI program divided by the number of convictions. FY 2015 results (\$221,782) are 8.7 percent better than the year-end target (\$243K) and 4.0 percent better compared to FY 2014. CI's overall financial plan and FTEs (which contribute to the numerator) decreased by 2.8 percent and 7.7 percent respectively, compared to FY 2014. CI will continue to monitor its budget and coordinate with DOJ Tax Division and U.S. Attorney Offices regarding prosecutorial priorities - which affect convictions - to ensure this measure is at or below future target. CI expects to meet the FY 2016 and FY 2017 target of \$272,000.

FY 2017 Changes by Budget Activity

Dollars in Thousands

Investigations	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	3,425	\$604,620
FY 2016 Administrative Provision 113		
FY 2016 Enacted	3,425	\$604,620
Changes to Base:		
Maintaining Current Levels (MCLs):		\$9,311
Pay Annualization		1,817
Pay Raise		6,730
Non-Pay		764
Subtotal FY 2017 Changes to Base		\$9,311
FY 2017 Current Services (Base)	3,425	\$613,931
Program Increases:		
Budget Request Program Increases:		
<i>Focus Area: Strengthen Cybersecurity and Eliminate Identity Theft</i>		
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	208	39,106
Subtotal	208	\$39,106
Subtotal FY 2017 Budget Request Program Increases	208	\$39,106
Total FY 2017 Total Budget Request	3,633	\$653,037
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	208	\$48,417
Percent Change FY 2017 Budget Request over FY 2016 Enacted	6.06%	7.89%
Cap Adjustment Program Increases:		
<i>Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It</i>		
Increase Collection Coverage		
Increase Audit Coverage		
Digitizing Form 990		
FATCA: Implement, Expand Filing Coverage, and Combat Criminal Non-	51	19,837
Pursue Employment Tax and Abusive Tax Schemes	35	6,912
Increase Investigations of Transnational Organized Crime (TOC)	130	29,422
Subtotal	216	\$56,171
<i>Alcohol and Tobacco Tax and Trade Bureau Transfer:</i>		
Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities		5,000
Subtotal		\$5,000
Subtotal FY 2017 Cap Adjustment Program Increases	216	\$61,171
Subtotal FY 2017 Total Program Increases Including Cap Adjustment	424	\$100,277
Total FY 2017 Total Budget Request Including Cap Adjustment	3,849	\$714,208
Dollar/FTE Change FY 2017 Budget Request including PIC over FY 2016 Enacted	424	\$109,588
Percent Change FY 2017 Budget Request including PIC FY 2016 Enacted	12.37%	18.13%

3.1.3 – Budget and Performance Report and Plan

Investigations Budget and Performance Plan

Dollars in Thousands

Investigations Resource Level	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources ¹	\$639,363	\$644,479	\$636,386	\$589,751	\$599,193	\$602,144	\$604,620	\$714,208
Reimbursable Resources ²	67,549	63,146	56,895	28,582	27,133	29,957	43,608	45,789
User Fees ²			6,935	4,709				
Budget Activity Total	\$706,912	\$707,625	\$700,216	\$623,042	\$626,326	\$632,101	\$648,228	\$759,997

¹The FY 2010 - FY 2015 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2010 - FY 2015 columns represent realized resources for reimbursables and user fees.

Investigations Measures	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Criminal Investigations Completed (Ot) (L)	4,325	4,697	4,937	5,557	4,606	4,486	3,800	3,800	3,600
Number of Convictions (Oe) (L)	2,184	2,350	2,634	3,311	3,110	2,879	2,700	2,500	2,400
Conviction Rate (Oe) (L)	90.2%	92.7%	93.0%	93.1%	93.4%	93.2%	92.0%	92.0%	92.0%
Conviction Efficiency Rate (\$) (E) (L)	\$324,776	\$310,029	\$270,511	\$211,048	\$231,103	\$221,782	\$243,000	\$272,000	\$272,000

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, L - Long Term

3D – Exam and Collections (\$4,347,684,000 in direct appropriations, \$606,000 from reimbursable program, and an estimated \$574,000 from user fees): This budget activity funds programs that enforce the tax laws and increase compliance through examination and collection programs that ensure proper payment and tax reporting. This budget activity also includes campus support of the Questionable Refund program and appeals and litigation activities associated with exam and collection. The program activities include the following:

- *Compliance Services Management* supports management associated with exam and collection program activities.
- *Payment Compliance – Correspondence Collection* supports IRS collection activities by initiating contact and collecting delinquent taxpayer liabilities through written notices and other means.
- *Automated Collections and Support* initiates contact and collects delinquent taxpayer liabilities through the centralized Automated Collection System (ACS).
- *Payment Compliance – Field Collection* conducts field investigations and collection efforts associated with delinquent taxpayer and business entity liabilities, including direct taxpayer contact and outreach programs to protect the interest of the federal government in delinquent tax liability situations.
- *Tax Reporting Compliance – Document Matching* supports the Automated Underreporter (AUR), Combined Annual Wage Reporting (CAWR), Federal Unemployment Tax Act (FUTA), and other Document Matching Programs.
- *Tax Reporting Compliance – Electronic/Correspondence Exam* initiates written correspondence with taxpayers related to tax issues arising from claims on their tax returns.
- *Tax Reporting Compliance – Field Exam* compares taxpayer income levels and corresponding tax liabilities to ensure the accuracy of taxpayer returns.

- *Fraud/Bank Secrecy Act* assists and supports compliance employees IRS-wide in protecting the integrity of the U.S. tax administration system. The Bank Secrecy Act Program examines non-bank financial institutions and nonfinancial trades and businesses for compliance with the anti-money laundering provisions of the Bank Secrecy Act of 1970 (BSA) and the USA PATRIOT Act of 2001. It processes and provides customer support for Reports of Foreign Bank and Financial Accounts (FBARs) and Form 8300, *Report of Cash Payments Over \$10,000 Received in a Trade or Business*. The National Fraud Program provides oversight and direction for fraud policy and operations IRS-wide.
- *Appeals* supports an administrative review process that provides a channel for impartial case settlement before a case is docketed in a court of law.
- *Litigation* provides legal support for the IRS in litigation of cases, including interpretation of the tax law.
- *Specialty Programs – Exams* examines federal tax returns of businesses and individuals responsible for the filing and payment of employment, excise, estate, and gift taxes.
- *International Collection* supports international field collection efforts associated with delinquent taxpayer and business entity liabilities from U.S. Citizens residing abroad, non-resident aliens, expatriates, and those involving other international issues (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion).
- *International Exams* supports the international exam program involving U.S. Citizens residing abroad, non-resident aliens, expatriates, and other examinations involving other international issues including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).
- *Unit General Management and Administration* provides staffing, training, and direct support for headquarters management activities of strategic planning, communication and liaison, finance, human resources, equity, diversity and inclusion, business system planning, and embedded training.
- *EITC Management and Administration* supports headquarters management associated with administering the Earned Income Tax Credit (EITC) program IRS-wide.
- *Integrity & Verification Operations* supports IRS civil fraud detection and prevention efforts in a pre-refund environment including monitoring program performance and developing policy and procedures and guidance for processing civil revenue protection programs(s).
- *ID Theft Victim Assistance* was recently reorganized to consolidate nearly all identity theft work into one IRS program. This program activity has end-to-end responsibility and accountability for identity theft victim assistance, including policy and operations, which includes paper inventories from tax-related ID theft, the Identity Theft Protection Specialized Unit (IPSU) and Return Preparer Misconduct.
- *Accounts Management Taxpayer Assurance Program* provides support to Accounts Management for the review of questionable refunds including Identity Theft functions.

- *Whistleblower Office* provides staffing, training, and direct support to process, assess, and analyze tips from individuals who identify potential tax problems.
- *Communications and Liaison* coordinates local government and liaison relationships; manages congressional, state, and national stakeholder relationships and issues; coordinates crosscutting issues, including audit management and legislative implementation; manages national media contacts and local media relationships; and ensures IRS compliance with disclosure and privacy laws.

Description of Performance - Exam

The Examination program provides taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness. The performance goals that the IRS uses to gauge the Examination program's performance are discussed below.

The IRS met its FY 2015 Individual Exam Coverage target of 0.8 percent. In FY 2015, there were approximately 14,400 fewer individual audits compared to FY 2014, a 1.2 percent decrease. The decrease in audits was due, in part, to the SBSE Compliance Realignment. IRS-wide emphasis is to continue monitoring base inventory levels and decrease cycle times through process improvements while focusing on improving quality. The IRS will reduce the coverage rate for FY 2016 to 0.6 percent, due to budget reductions necessitating a reduction in FTE through attrition. In order to mitigate this decrease, Examination will monitor starts and the mix of discretionary inventory more closely in FY 2016. The FY 2017 target is set at 0.7 percent.

In FY 2015, the Field Exam National Quality Review Score is at 86.7 percent, falling short of the FY 2015 target of 89.6 percent. The decline in quality was driven by declines in 16 of the 17 quality attributes. Beginning in FY 2016, Exam will hold bi-monthly calls to address developing issues with respect to the return preparer visits and to ensure all agents understand actions required of them. Attribute 112 (Required Filing Checks) is the only attribute to reflect improvement. The IRS expects to achieve a quality score of 86.7 percent in FY 2016 and FY 2017.

In FY 2015, Office Exam Quality is at 88.3 percent, falling short of the FY 2015 target of 90.2 percent. The overall decline in quality was driven by declines in 14 of the 17 quality attributes. To assist examiners with documenting their audit activities, lead sheets for minimum income probes, required filing checks, and innocent spouse will be updated during FY 2016. The IRS expects to achieve its FY 2016 and FY 2017 target of 88.3 percent. Both the Field Exam National Quality Review and the Office Exam Quality continue to focus on reducing the leading errors in their two weakest attributes 510 (Time Span) and 112 (Required Filing Checks).

The Examination Quality – Large Business measure is calculated through a review of a statistically valid random sample of closed Large Business Return cases. Case scores are based on the percentage of elements passed within each of the four audit standards (Planning; Inspection; Development; Work Papers and Reports). In FY 2015, Examination Quality – Large Business is 86 percent, 4 percentage points below the FY 2015 target of 90 percent.

The 86 percent was a result of low scores in Standard 1 (Planning), Standard 2 (Inspection) and Standard 4 (Work papers and Reports). Actions currently underway to improve the score include direct feedback to Revenue Agents, outreach presenting the Quality Standards and ways to affect case quality improvement, conducting quarterly meetings to highlight and discuss actions for areas of improvement, and one-on-one report outs to Industry Analysts. The FY 2016 and FY 2017 target was set at 90 percent.

The Examination Coverage – Business (Assets > \$10 million) measure is calculated by taking the total number of Large Business & International (LB&I) returns with assets over \$10 million (including all partnerships) examined and closed by LB&I during the current fiscal year, divided by total filings for the preceding calendar year. In FY 2015, Business Examination Coverage is 3.9 percent. While corporate closures are down slightly, S-Corporation and partnership closures are up 3.5 percent and 6.3 percent, respectively, compared to FY 2014. The IRS expects to achieve the FY 2016 target of 3.5 percent. The FY 2016 and FY 2017 targets were lowered to 3.5 percent and 3.2 percent, respectively, based on a reduction in FTE and as the IRS is projecting an increase in partnership returns filed.

The Individual Exam Efficiency measure is calculated by taking the sum of all individual 1040 return examinations and audit reconsideration cases divided by the total staff years expended in relation to those individual 1040 returns. In 2015, Exam Efficiency - Individual is 148, exceeding the FY 2015 target of 135. SBSE Campus Exam realized greater efficiency due to changes in the processing of TEFRA inventory. The same level of efficiency gains is not anticipated in FY 2016 or FY 2017 due to a reduction in Exam FTE and efficiency adjustments based on workload considerations due to the reduction in staffing. The IRS expects to achieve the FY 2016 and FY 2017 target of 122, as the IRS expects new staff to require time for training before reaching full efficiency.

The Automated Underreporter (AUR) Efficiency measure is calculated by taking the total number of W&I and SB/SE contact closures divided by the total FTEs, including overtime. AUR Efficiency is 2,209 through FY 2015, above the FY 2015 target of 2,032. While total AUR closures decreased 3.5 percent, total FTEs decreased at a much higher rate at 9.3 percent resulting in improved AUR efficiency compared to FY 2014 (2,209 vs. 1,935). SBSE Campus Automated Underreporter realized efficiency gains in FY 2015 from new processes put in place allowing work to close more quickly. The inclusion of the Premium Tax Credit (PTC) in FY 2016 will require manual calculations for a significant number of cases resulting in a lower projected number of closures next year compared to FY 2015. The IRS expects to achieve the FY 2016 target of 2,036. The FY 2017 target is set at 2,006, as new staff will not have an immediate impact on performance due to the need for training.

The AUR Coverage measure is calculated by taking the total number of contact closures divided by total prior calendar year individual filings. In FY 2015, AUR Coverage is 2.3 percent and below the FY 2015 target of 2.6 percent. An overall decrease in FTE, caused by the inability to cover attrition losses throughout the year, resulted in fewer contact closures in FY 2015 than in previous years. Due to a shift in FTE and work streams and the additional resources needed to work ACA cases, SBSE lowered the Coverage targets for FY 2016 and FY 2017. The IRS expects to achieve the FY 2016 target of 2.2 percent and the FY 2017 target of 2.3 percent.

Description of Performance - Collection

The Collection program collects delinquent taxes, secures delinquent tax returns through the fair and equitable application of tax laws, and provides education to promote future compliance, thereby protecting and instilling public confidence in the American tax system. The performance goals that the IRS uses to gauge collection program performance are:

The Collection Coverage measure is calculated by taking the total volume of collection work disposed divided by total collection work available. In FY 2015, Collection Coverage is 46.3 percent, exceeding the FY 2015 target of 43.8 percent and last year's performance of 45.9 percent. The FY 2015 net dispositions increased 2.6 percent compared to FY 2014 (23.62 million vs. 23.03 million). Beginning Inventory, New Issuance Receipts, and Reactivated Currently-Not-Collectable cases increased 1.3 percent, 1.8 percent, and 57.6 percent, respectively, while Returned to Inventory cases decreased 2.7 percent compared to FY 2014. The IRS will continue to market and promote the use of the online Installment Agreement and Direct Pay tools available to taxpayers. The IRS expects to achieve the FY 2016 target of 41.8 percent, as additional employees are hired to process a steady projected volume of available collection casework. The FY 2017 target is set at 41.1 percent, as new staff will not have an immediate impact on performance due to the need for training.

The Collection Efficiency measure is calculated by dividing total collection case closures by the total number of FTEs devoted to working the closures. In FY 2015, Collection Efficiency is 2,448 exceeding the FY 2015 target of 2,173. The Collection Coverage measure was updated based on FY 2015 performance and the current disposition and inventory targets in the collection work plan for FY 2016 and FY 2017. The planned reduction in overall dispositions in FY 2016 is expected to have a negative impact, due to the lack of hiring, on overall Collection Coverage. Through planned improvements, including the realignment of the Collection function, IRS expects to achieve the FY 2016 target of 2,208 and the FY 2017 target of 2,124, as new hires are brought on board and trained.

The Field Collection Quality measure is the percentage of quality attributes reviewed by an independent quality reviewer that are determined to be correct. In FY 2015, the Field Collection National Quality Review Score is 79.2 percent, below the FY 2014 actual and behind the FY 2015 target of 81.6 percent. The shortfall in Field Collection Quality is primarily related to a decline in the timeliness attributes. This is largely a result of changing the training delivery method, due to budgetary considerations, from a traditional classroom format to a virtual setting, which resulted in delayed delivery. More than one third of the Field Revenue Officers (ROs) were off-line for almost two weeks and all ROs were off-line for another week due to training. This training interrupted case timeliness, resulting in missed follow-up deadlines. Timeliness was also impacted by the delayed movement of 100 ROs into the specialty programs necessitating reassignment of those inventories. In order to improve quality all Field Collection Areas developed and implemented action plans to ensure focus on workload management and case actions critical to timely case resolution. However, due to the timing of case closures and reviews, it could take up to ten months after implementation before the score results begin to reflect the benefit of these plans. With a continued emphasis on improving timeliness and the quality of work products, the IRS expects to achieve the FY 2016 and FY 2017 target of 79.7 percent.

The IRS achieved the FY 2015 Automated Collection System (ACS) Accuracy target of 94.0 percent, reaching 95.3 percent. The ACS Accuracy measure reflects the percentage of correct responses from a weighted random sampling of calls selected for quality review by the Centralized Quality Review System (CQRS). SB/SE will continue to follow-up on quality action plans resulting from site visits. Monthly calls with the Quality staff will also continue to identify and discuss issues and trends affecting Customer Accuracy. Additionally, increased oversight will continue as former W&I sites transition into taking various SB/SE calls. The expectation is that this will help reduce Customer Accuracy errors and enable the FY 2016 and FY 2017 target of 95 percent to be achieved.

FY 2017 Changes by Budget Activity

Dollars in Thousands

Exam and Collections	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	34,402	\$4,103,630
FY 2016 Administrative Provision 113		\$4,936
Improve Taxpayer Service		
Cyber Security		
Strengthening the Prevention of Identity Theft		4,936
FY 2016 Enacted	34,402	\$4,108,566
Changes to Base:		
Maintaining Current Levels (MCLs):		\$63,349
Pay Annualization		12,655
Pay Raise		46,879
Non-Pay		3,815
Subtotal FY 2017 Changes to Base		\$63,349
FY 2017 Current Services (Base)	34,402	\$4,171,915
Program Increases:		
Budget Request Program Increases:		
<i>Strategic Focus: Strengthen Cybersecurity and Eliminate Identity Theft</i>		
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	92	5,699
Subtotal	92	\$5,699
Subtotal FY 2017 Budget Request Program Increases	92	\$5,699
Total FY 2017 Total Budget Request	34,494	\$4,177,614
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	92	\$69,048
Percent Change FY 2017 Budget Request over FY 2016 Enacted	0.27%	1.68%
Cap Adjustment Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Enterprise Case Management	22	7,369
Subtotal	22	\$7,369
<i>Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It</i>		
Increase Collection Coverage	677	58,185
Increase Audit Coverage	815	74,086
Digitizing Form 990	1	80
FATCA: Implement, Expand Filing Coverage, and Combat Criminal Non-compliance	152	30,052
Pursue Employment Tax and Abusive Tax Schemes	2	298
Subtotal	1,647	\$162,701
Subtotal FY 2017 Cap Adjustment Program Increases	1,669	\$170,070
Subtotal FY 2017 Total Program Increases Including Cap Adjustment	1,761	\$175,769
Total FY 2017 Total Budget Request Including Cap Adjustment	36,163	\$4,347,684
Dollar/FTE Change FY 2017 Budget Request including PIC over FY 2016 Enacted	1,761	\$239,118
Percent Change FY 2017 Budget Request including PIC FY 2016 Enacted	5.12%	5.82%

3.1.4 – Budget and Performance Report and Plan

Exam and Collections Budget and Performance Plan

Dollars in Thousands

Exam and Collections Resource Level	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources ¹	\$4,700,345	\$4,689,220	\$4,504,885	\$4,210,108	\$4,196,794	\$4,019,123	\$4,108,566	\$4,347,684
Reimbursable Resources ²	8,729	11,163	6,385	804		640	577	606
User Fees ²	49						918	574
Budget Activity Total	\$4,709,123	\$4,700,383	\$4,511,270	\$4,210,912	\$4,196,794	\$4,019,763	\$4,110,061	\$4,348,864

¹The FY 2010 - FY 2015 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2010 - FY 2015 columns represent realized resources for reimbursables and user fees.

Exam and Collections Measures	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Examination Coverage - Individual (Oe) (L)	1.1%	1.1%	1.0%	1.0%	0.9%	0.8%	0.8%	0.6%	0.7%
Field Exam National Quality Review Score (Oe) (L)	84.9%	85.8%	87.4%	89.2%	88.4%	86.7%	89.6%	86.7%	86.7%
Office Exam National Quality Review Score (Oe) (L)	91.6%	90.4%	91.3%	90.3%	90.6%	88.3%	90.2%	88.3%	88.3%
Examination Quality - Large Business ³ (Oe) (L) (New in FY 2013)				92.0%	83.0%	86.0%	90.0%	90.0%	90.0%
Examination Coverage - Business (Assets > \$10 million) (C)	5.7%	6.2%	6.2%	5.6%	4.3%	3.9%	3.8%	3.5%	3.2%
Automated Underreporter (AUR) Efficiency (E) (L)	1,924	2,007	2,041	2,025	1,935	2,209	2,032	2,036	2,006
Automated Underreporter (AUR) Coverage (E) (L)	3.0%	3.3%	3.2%	2.8%	2.6%	2.3%	2.6%	2.2%	2.3%
Examination Efficiency - Individual (E) (L)	140	139	142	142	138	148	135	122	122
Collection Coverage - Units (Ot) (L)	50.1%	50.0%	48.1%	47.0%	45.9%	46.3%	43.8%	41.8%	41.1%
Collection Efficiency - Units (E) (L)	1,822	1,952	1,997	2,057	2,051	2,448	2,173	2,208	2,124
Field Collection National Quality Review Score (Ot) (L)	80.6%	80.3%	80.4%	81.4%	81.6%	79.2%	81.6%	79.7%	79.7%
Automated Collection System (ACS) Accuracy (Oe)	95.9%	94.9%	94.7%	94.4%	95.2%	95.3%	94.0%	95.0%	95.0%

Key: Oe - Outcome Measure, E - Efficiency Measure, L - Long Term Goal, Ot - Output/Workload Measure

³As a result of program changes that occurred in the Large Business and International (LB&I) organization, starting in FY 2013, a new Examination Quality -

3E – Regulatory (\$154,371,000 in direct appropriations, \$827,000 from reimbursable programs, and an estimated \$14,020,000 from user fees): This budget activity funds the development and printing of published IRS guidance materials; interpretation of tax laws; internal advice to IRS on general non-tax legal issues; enforcement of regulatory rules, laws, and approved business practices; and support for taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The activities include:

- *Tax Law Interpretation and Published Guidance* interprets the tax law through published guidance, technical advice, and other technical legal services.
- *General Legal Services* provides advice to the IRS on non-tax legal issues, including procurement, personnel, labor relations, equal employment opportunity, fiscal law, tort claims and damages, ethics, and conflict of interest.
- *Rulings and Agreements* applies the tax law to specific taxpayers in the form of pre-filing agreements, determination letters, advance pricing agreements, and other pre-filing determinations and advice.
- *International Regulatory Legal Support* supports Counsel's work in tax law interpretation and rulings and agreements related to international issues.

- *Return Preparer Strategy* provides staffing, training, and direct support associated with the Return Preparer Strategy.
- *Office of Professional Responsibility* identifies, communicates, and enforces Treasury Circular 230 standards of competence, integrity, and conduct of those who represent taxpayers before the IRS, including attorneys, Certified Public Accountants (CPAs), enrolled agents, enrolled actuaries and appraisers, and other professionals.

Description of Performance

Tax Exempt and Government Entities (TEGE) Determination Closures include both applications for tax-exempt status for employee retirement plans (EP) and applications from various charitable entities seeking tax-exempt status (EO). The IRS reviews applications to determine eligibility and closes them upon approval or disapproval.

TE/GE exceeded the plan for total determination closures in FY 2015, as the number of determination cases completed reached 111,940. EO closed over 15,000 more Form 1023-EZ applications than initially anticipated due to a higher adoption rate by the public than expected. In EP, FY 2015 closures fell short of plan as resources were diverted to other priorities such as processing voluntary compliance applications and developing the TE/GE Knowledge Management initiative. In FY 2016, both programs anticipate further implementing recommendations stemming from Lean Six Sigma reviews of EP and EO case processing to improve timeliness and maintain consistent case treatment. TEGE will increase the FY 2016 and FY 2017 targets to 103,852 and 109,768, respectively.

FY 2017 Changes by Budget Activity

Dollars in Thousands

Regulatory	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	1,013	\$151,750
FY 2016 Administrative Provision 113		
FY 2016 Enacted	1,013	\$151,750
Changes to Base:		
Maintaining Current Levels (MCLs):		\$2,348
Pay Annualization		480
Pay Raise		1,777
Non-Pay		91
Subtotal FY 2017 Changes to Base		\$2,348
FY 2017 Current Services (Base)	1,013	\$154,098
Program Increases:		
Budget Request Program Increases:		
<i>Strategic Focus: Strengthen Cybersecurity and Eliminate Identity Theft</i>		
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	1	170
Subtotal	1	\$170
Subtotal FY 2017 Budget Request Program Increases	1	\$170
Total FY 2017 Total Budget Request	1,014	\$154,268
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	1	\$2,518
Percent Change FY 2017 Budget Request over FY 2016 Enacted	0.13%	1.66%
Cap Adjustment Program Increases:		
<i>Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It</i>		
Increase Collection Coverage	1	28
Increase Audit Coverage	1	75
Subtotal	2	\$103
Subtotal FY 2017 Cap Adjustment Program Increases	2	\$103
Subtotal FY 2017 Total Program Increases Including Cap Adjustment	3	\$273
Total FY 2017 Total Budget Request Including Cap Adjustment	1,016	\$154,371
Dollar/FTE Change FY 2017 Budget Request including PIC over FY 2016 Enacted	3	\$2,621
Percent Change FY 2017 Budget Request including PIC FY 2016 Enacted	0.33%	1.73%

3.1.5 – Budget and Performance Report and Plan

Regulatory Budget and Performance Plan

Dollars in Thousands

Regulatory Resource Level	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources ¹	\$164,292	\$159,293	\$158,096	\$149,319	\$156,991	\$147,733	\$151,750	\$154,371
Reimbursable Resources ²	574	654	660	631	792	363	788	827
User Fees ²		13,249	12,482	15,700	13,241	18,485	9,233	14,020
Budget Activity Total	\$164,866	\$173,196	\$171,238	\$165,650	\$171,024	\$166,581	\$161,771	\$169,218

¹The FY 2010 - FY 2015 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2010 - FY 2015 columns represent realized resources for reimbursables and user fees.

Regulatory Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
TE/GE Determination Case Closures (Ot)	105,247	91,205	87,000	65,877	136,746	111,940	99,942	103,852	109,768

Key: Ot - Output/Workload Measure

Operations Support

Appropriation Description

The Operations Support appropriation provides funding for overall planning, direction, and support for the IRS, including shared service support related to facilities services, rent payments, printing, postage, and security. This appropriation funds headquarters policy and management activities such as corporate support for strategic planning; communications and liaison; finance; human resources; equity, diversity and inclusion; research and statistics of income; and necessary expenses for information systems and telecommunication support, including development, security, and maintenance of the IRS's information systems.

The Operations Support budget request for FY 2017 is \$4,030,695,000 in direct appropriations and 12,013 FTE. This is an increase of \$284,007,000 or 7.58 percent, and 91 FTE more than the FY 2016 Enacted level of \$3,746,688,000 and 11,922 FTE. The Operations Support total budget request for FY 2017 including the program integrity cap adjustment is \$4,314,099,000 and 12,250 FTE.

The measures reflected in the Operations Support appropriation align to *Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems, Objective 3.3: Pursue tax reform, implement the ACA and FATCA, and improve the execution of the tax code* of the Department of the Treasury's FY 2014 – FY 2017 Strategic Plan.

2.1 – Budget Adjustments Table

Dollars in Thousands		
Operations Support	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	11,752	\$3,638,446
FY 2016 Administrative Provision 113	170	\$108,242
Improve Taxpayer Service		1,800
Cyber Security	170	95,442
Strengthening the Prevention of Identity Theft		11,000
FY 2016 Enacted	11,922	\$3,746,688
Changes to Base:		
Maintaining Current Levels (MCLs):		\$60,994
Pay Annualization		5,392
Pay Raise		19,975
Non-Pay		35,627
Efficiencies/Savings:		(\$58)
Increase e-File Savings		(58)
Subtotal FY 2017 Changes to Base		\$60,936
FY 2017 Current Services (Base)	11,922	\$3,807,624
Program Increases:		
Budget Request Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Implement Changes to Deliver Tax Credits and Other Requirements for the Affordable Care Act		153,240
Leverage New Technologies to Advance the IRS Mission		973
Improve Taxpayer Service	9	14,952
Subtotal	9	\$169,165
<i>Drive More Agility, Efficiency, and Effectiveness in IRS Operations</i>		
Enterprise Electronic Records Management Solution	46	18,543
Subtotal	46	\$18,543
<i>Focus Area: Strengthen Cybersecurity and Eliminate Identity Theft</i>		
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	36	35,363
Subtotal	36	\$35,363
Subtotal FY 2017 Budget Request Program Increases	91	\$223,071
Total FY 2017 Total Budget Request	12,013	\$4,030,695
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	91	\$284,007
Percent Change FY 2017 Budget Request over FY 2016 Enacted	0.76%	7.58%
Cap Adjustment Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Enterprise Case Management		598
Subtotal		\$598
<i>Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It</i>		
Increase Collection Coverage	21	32,254
Increase Audit Coverage	40	54,274
Digitizing Form 990	6	2,298
FATCA: Implement, Expand Filing Coverage, and Combat Criminal Non-compliance	70	76,850
Pursue Employment Tax and Abusive Tax Schemes		8,576
Increase Investigations of Transnational Organized Crime (TOC)		6,142
Subtotal	137	\$180,394
<i>Drive More Agility, Efficiency, and Effectiveness in IRS Operations</i>		
Operations and Maintenance for Deployed Business Systems Modernization (BSM) Projects	73	92,174
Maintain Integrity of Revenue Financial Systems	27	10,238
Subtotal	100	\$102,412
<i>Alcohol and Tobacco Tax and Trade Bureau Transfer:</i>		
Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities		
Subtotal		
Subtotal FY 2017 Cap Adjustment Program Increases	237	\$283,404
Subtotal FY 2017 Total Program Increases Including Cap Adjustment	328	\$506,475
Total FY 2017 Total Budget Request Including Cap Adjustment	12,250	\$4,314,099
Dollar/FTE Change FY 2017 Budget Request including PIC over FY 2016 Enacted	328	\$567,411
Percent Change FY 2017 Budget Request including PIC FY 2016 Enacted	2.75%	15.14%

2.2 – Operating Levels Table

Dollars in Thousands

Operations Support Object Classification	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
11.1 Full-Time Permanent Positions	1,025,551	1,169,563	1,221,731
11.3 Other than Full-Time Permanent Positions	6,100	9,227	9,366
11.5 Other Personnel Compensation	15,721	20,303	21,659
11.8 Special Personal Services Payments	245	235	239
11.9 Personnel Compensation (Total)	1,047,617	1,199,328	1,252,995
12.0 Personnel Benefits	381,526	438,472	455,608
13.0 Benefits to Former Personnel	51,076	52,266	53,054
Total Personnel and Compensation Benefits	\$1,480,219	\$1,690,066	\$1,761,657
21.0 Travel	11,765	8,175	11,006
22.0 Transportation of Things	10,530	11,638	12,437
23.1 Rental Payments to GSA	610,803	595,254	618,265
23.2 Rent Payments to Others	12,352	13,042	13,280
23.3 Communications, Utilities, & Misc	297,972	290,283	318,661
24.0 Printing & Reproduction	16,401	18,165	19,083
25.1 Advisory & Assistance Services	526,886	524,393	701,466
25.2 Other Services	61,220	58,104	240,801
25.3 Purchase of Goods & Services from Govt. Accounts	77,712	73,930	85,332
25.4 Operation & Maintenance of Facilities	173,000	157,756	168,262
25.5 Research & Development Contracts			
25.6 Medical Care	14,113	13,597	15,019
25.7 Operation & Maintenance of Equipment	59,759	65,956	69,971
25.8 Subsistence & Support of Persons	18		
26.0 Supplies and Materials	18,396	20,428	22,036
31.0 Equipment	227,399	180,700	224,119
32.0 Land and Structures	2,612	25,003	32,502
42.0 Insurance Claims & Indemnities	279	198	202
Total Non-Personnel	\$2,121,217	\$2,056,622	\$2,552,442
New Appropriated Resources	\$3,601,436	\$3,746,688	\$4,314,099
Budget Activities:			
Infrastructure	833,846	832,543	895,094
Shared Services & Support	1,126,230	1,141,485	1,197,954
Information Services	1,641,360	1,772,660	2,221,051
New Appropriated Resources	\$3,601,436	\$3,746,688	\$4,314,099
FTE	10,614	11,922	12,250

2.3 – Appropriation Detail Table

Dollars in thousands

Operations Support		FY 2015 Actual		FY 2016 Enacted ¹		FY 2017 Request		Change FY 2016 to FY 2017 Request		% Change FY 2016 to FY 2017 Request	
Appropriated Resources		FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources: ²											
Infrastructure			\$833,846		\$832,543		\$895,094		\$62,551		7.51%
Shared Services and Support	5,013	1,126,230		5,231	1,141,485	5,257	1,197,954	26	56,469	0.50%	4.95%
Information Services	5,601	1,641,360		6,691	1,772,660	6,993	2,221,051	302	448,391	4.51%	25.29%
Subtotal New Appropriated Resources	10,614	\$3,601,436		11,922	\$3,746,688	12,250	\$4,314,099	328	\$567,411	2.75%	15.14%
Other Resources:											
Reimbursables	92	42,316		97	54,285	101	56,999	4	2,714	4.12%	5.00%
Offsetting Collections - Non Reimbursables											
User Fees	1,187	375,378		99	395,662	37	268,295	(62)	(127,367)	-62.63%	-32.19%
Recovery from Prior Years		1,908									
Unobligated Balances from Prior Years	3	123,655			148,173		66,200		(81,973)		-55.32%
Transfers In/Out											
Resources from Other Accounts											
Subtotal Other Resources	1,282	\$543,257		196	\$598,120	138	\$391,494	(58)	(\$206,626)	-29.59%	-34.55%
Total Budgetary Resources	11,896	\$4,144,693		12,118	\$4,344,808	12,388	\$4,705,593	270	\$360,785	2.23%	8.30%

¹FY 2016 Enacted includes \$108.2 million in Section 113 Administrative Provision funding for Operations Support.

²This includes the Program Integrity Cap Adjustment.

3F – Infrastructure (\$895,094,000 in direct appropriations and an estimated \$772,000 from reimbursable programs): This budget activity funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-IT equipment. The program activities include:

- *Building Delegation* oversees and manages the IRS GSA-delegated buildings, including cleaning, maintenance, utilities, protection, administrative, and recurring and one-time repair costs.
- *Rent* provides resources for all IRS rent needs.
- *Space and Housing/Non-IT Equipment* provides management of all IRS building services, maintenance, space alterations, guard services, custodial overtime, utility service's needs, and non-IT equipment.
- *Security* covers building security costs related to contract guard services.

Description of Performance

In FY 2015, there were 59 space reduction projects completed that resulted in the release of 624,306 Rentable Square Feet (RSF) of space with Annualized Rent Savings (ARS) of \$17.6 million that will support lower rent costs in the future.

Approximately 45 space reduction projects were approved for implementation in FY 2016, which will result in the release of 550,757 RSF of space and ARS of approximately \$15 million that will support lower rent costs in the future. In addition, the IRS embarked on a program to aggressively reduce the IRS space footprint nationwide and set, as a goal, the annual reduction of 800,000 RSF for the period FY 2016 through FY 2020. Achievement of this goal however, is contingent on the availability of funds to complete the projects that will

enable realization of these savings. Project identification will continue during this budget year and into the future.

The IRS also intends to place new hires in existing space and renew leases at existing sites rather than move to new locations, when cost effective. These and other actions will help limit the projected rent costs in the future.

FY 2017 Changes by Budget Activity

Dollars in Thousands

Infrastructure	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)		\$832,543
FY 2016 Administrative Provision 113		
FY 2016 Enacted		\$832,543
Changes to Base:		
Maintaining Current Levels (MCLs):		\$15,161
Pay Raise		1
Non-Pay		15,160
Subtotal FY 2017 Changes to Base		\$15,161
FY 2017 Current Services (Base)		\$847,704
Program Increases:		
Budget Request Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Leverage New Technologies to Advance the IRS Mission		405
Improve Taxpayer Service		4,508
Subtotal		\$4,913
<i>Drive More Agility and Efficiency in IRS Operations</i>		
Enterprise Electronic Records Management Solution		646
Subtotal		\$646
<i>Strategic Focus: Strengthen Cybersecurity and Eliminate Identity Theft</i>		
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments		6,014
Subtotal		\$6,014
Subtotal FY 2017 Budget Request Program Increases		\$11,573
Total FY 2017 Total Budget Request		\$859,277
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted		\$26,734
Percent Change FY 2017 Budget Request over FY 2016 Enacted		3.21%
Cap Adjustment Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Enterprise Case Management		306
Subtotal		\$306
<i>Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It</i>		
Increase Collection Coverage		9,911
Increase Audit Coverage		12,148
Digitizing Form 990		92
FATCA: Implement, Expand Filing Coverage, and Combat Criminal Non-compliance		3,876
Pursue Employment Tax and Abusive Tax Schemes		518
Increase Investigations of Transnational Organized Crime (TOC)		1,839
Subtotal		\$28,384
<i>Drive More Agility and Efficiency in IRS Operations</i>		
Operations and Maintenance for Deployed Business Systems Modernization (BSM) Projects		1,037
Maintain Integrity of Revenue Financial Systems		6,090
Subtotal		\$7,127
Subtotal FY 2017 Cap Adjustment Program Increases		\$35,817
Subtotal FY 2017 Total Program Increases Including Cap Adjustment		\$47,390
Total FY 2017 Total Budget Request Including Cap Adjustment		\$895,094
Dollar/FTE Change FY 2017 Budget Request including PIC over FY 2016 Enacted		\$62,551
Percent Change FY 2017 Budget Request including PIC FY 2016 Enacted		7.51%

3.1.6 – Budget and Performance Report and Plan

Infrastructure Budget and Performance Plan

Dollars in Thousands

Infrastructure Resource Level	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources ¹	\$895,202	\$926,190	\$929,634	\$886,535	\$849,025	\$841,243	\$832,543	\$895,094
Reimbursable Resources ²	505	880	1,016	701	16,694	928	735	772
User Fees ²		23,290	57,477	5,414	17,137			
Budget Activity Total	\$895,707	\$950,360	\$988,127	\$892,650	\$882,856	\$842,171	\$833,278	\$895,866

¹The FY 2010 - FY 2015 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2010 - FY 2015 columns represent realized resources for reimbursables and user fees.

3G – Shared Services and Support (\$1,197,954,000 in direct appropriations, \$23,152,000 from reimbursable programs, and an estimated \$19,574,000 from user fees): This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, protection of sensitive information and the privacy of taxpayers and employees, finance, human resources, and equity, diversity, and inclusion programs. It also funds printing and postage, business systems planning, physical security, corporate training, legal services, procurement, and employee benefits programs. The program activities include the following:

- *National Headquarters Management and Administration* directs the management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion programs, business systems planning, embedded training, and utilization of Treasury Franchise Fund services. This activity sets policies and goals, provides leadership and direction for the IRS, and builds partner relationships with key stakeholders (Congress, GAO, OMB, and the Oversight Board). It provides policy guidance for conducting planning and budgeting strategies, conducting analysis of programs and investments to support strategic decision-making, and developing and managing human resources. It also includes official reception and representation expenses.
- *Real Estate and Facilities Management* provides services and supplies required to manage IRS facilities.
- *Procurement* supports the procurement function of the IRS.
- *Equity, Diversity and Inclusion Field Services* provides staffing, training, and direct support to plan and manage the IRS's Equity, Diversity and Inclusion program.
- *Communications and Liaison* coordinates local government and liaison relationships; handles congressional, state, and national stakeholder relationships and issues; coordinates crosscutting issues, including managing audits and legislative implementation; handles national media contacts and local media relationships; and ensures IRS-wide compliance with disclosure and privacy laws.
- *Employee Support Services* plans and manages financial services, including relocation, travel, purchase cards, corporate express, and employee clearances.
- *Shared Support not provided by Agency-Wide Shared Services* provides resources for shared cross-functional support, such as copiers, postage meters, shredders, courier services, and post office boxes.

- *Printing and Postage – Media and Publications* provides operating divisions with printing and postage, including shipping of taxpayer and internal use materials.
- *Statistics of Income* provides resources for researching annual income, financial, and tax data from tax returns filed by individuals, corporations, and tax-exempt organizations.
- *Research* provides resources for market-based research to identify compliance issues, for conducting tests of treatments to address non-compliance, and for the implementation of successful strategies to address taxpayer non-compliance.
- *Security Administration and Management* manages and oversees the staffing, training, equipment, and direct support for the protection of IRS employees, facilities, and assets, and the protection and proper use of identity information.
- *Wage and Investment (W&I) Business Modernization Support* provides staffing, training, and direct support for W&I's enterprise-wide business modernization efforts, including CADE 2, and Account Management Services (AMS) technology solutions, and re-engineered business processes.
- *Benefit Payments* provides resources to fund Workers' Compensation benefits and Unemployment Compensation for federal employee payments.
- *Shared Services* provides additional services, such as the Public Transit Subsidy.

Description of Performance

Through support activities that include management and administration of human resources, security, and research, the IRS continues to provide shared services to all IRS programs.

Human Capital

The IRS's employees are its greatest asset and the IRS is committed to building a diverse and high performing workforce by recruiting and hiring top talent. In FY 2015, the IRS:

- Focused on enhancing communication, cultivating an inclusive and collaborative environment, and encouraging employee engagement. To do that, the IRS developed and retained current employees by relying on their expertise to improve systems and processes and also by focusing on knowledge management, staff training, data analytics, and training for new ACA and FATCA requirements. Although under an exception-only hiring freeze, the IRS successfully hired seasonal staff to support filing season, recruited veterans and employees with targeted disabilities, and hired experts in the international area.
- Developed the FY 2015 Leadership Engagement Action Plan (LEAP) to tie numerous planned employee engagement efforts throughout the IRS into a single, corporate engagement strategy. The LEAP focuses on aligning engagement activities to a strategic vision, investing in employees and building support systems and tools to equip both leaders and employees for success. It is founded upon the Four Pillars of Engagement: Lead, Listen, Develop, and Support.

- Encouraged an inclusive and collaborative environment through its robust employee communications, including more than 50 Commissioner or Deputy Commissioner employee email messages, articles in the IRS all-employee and manager newsletters, and moderated panel discussions with IRS executives. The IRS also conducted a number of special events for employees including a Leadership Forum featuring Commissioner Koskinen with then NTEU national president Colleen Kelley, Commissioner's Award and Deputy Commissioners' Awards programs, and an open office hours program that allowed employees to have one-on-one face time with the Deputy Commissioner of Operations Support.
- Shifted the conversation about diversity to focus on the business benefits of a highly diverse, multi-talented workforce. This includes training programs for IRS leaders about managing a diverse workforce and embracing the diversity of thought, perspective, experience, and cultural background within their staff.

The IRS will continue to support its mission by investing in human capital strategies and tools that support an agile workforce. Engaging, recruiting, hiring, developing, and retaining a flexible workforce with foundational skill sets, along with specialized knowledge will position the IRS to more easily adapt to a changing landscape where taxpayers' interactions will be more technologically-driven.

Security

Security of taxpayer data and providing a secure environment for employees are of utmost importance to the IRS. In FY 2015, the IRS continued efforts at protecting employees. In 2015, the IRS:

- Enhanced employee awareness in service-wide emergency response training and education through the development of an Active Shooter/Threat and Workplace Violence mandatory briefing. IRS delivered this face-to-face training to employees at 175 large Posts of Duty (PODs) and Campuses and completed 155 facilities security risk assessments.
- Amended existing contracts to require that favorable background investigations be obtained for all relevant contract employees before routine, unescorted, unsupervised physical access to taxpayer information is granted.
- Maintained perimeter security controls within its Trusted Internet Connection environment that block an average of more than two million malicious, suspicious, or prohibited events targeting IRS employees, systems, or networks on a daily basis. Over the past year, the IRS Cybersecurity Computer Security Incident Response Center (CSIRC) also identified, mitigated, and responded to 1,128 cyber incidents and produced 540 advisories and bulletins informing responsible business units, system administrators, and users of mitigation actions to address current vulnerabilities and threats affecting the IRS enterprise.
- Refined and developed new identity theft filters based on analytical models and data validation. As a result, potentially fraudulent returns were stopped much earlier in processing, allowing the IRS to more quickly resolve cases for ID theft victims.

Research

The IRS National Research Program (NRP) continued to analyze reporting compliance data for various taxpayer populations, including Individual Income Tax, Corporate Income Tax, Employment Taxes, and Fuel Excise Taxes. NRP results enhance taxpayer service by improving IRS processes to reduce taxpayer burden and support enforcement activities by identifying issues with high risks for non-compliance.

The IRS Joint Statistical Research Program (JSRP) uses Statistics of Income and IRS administrative tax data to study the effects of existing tax policies on individuals, businesses, and the economy. The JSRP is responsible for several research projects that require collaborating with academia, non-profit research organizations, and other government agencies on important issues affecting tax administration.

The Office of Research, Analysis, and Statistics is conducting research on behavioral responses to IRS actions. This research included a pilot on the use of outreach methods designed to encourage taxpayers to participate in the tax system. An FY 2014 pilot demonstrated that generic informational postcards could influence filing behaviors among taxpayers who appear to be eligible for the Earned Income Tax Credit but have not filed a return in recent years in order to claim it. The increased participation seems to have resulted in increased compliance; the outreach appears to move two key indicators in a positive direction for the IRS: the Voluntary Filing Rate and the EITC participation rate. The FY 2015 outreach tested variations in the language used and the timing of the postcard messages to increase participation; preliminary FY 2015 results indicate that there were increases in participation, even among those who owed tax and/or did not receive a refund.

The Nonfiler/Late-filer Survey is designed to help the IRS understand the drivers of nonfiling and gather burden data to inform the IRS Taxpayer Compliance Burden Model (TCBM). The study is conducted as an expansion of the Tax Year (TY) 2014 Taxpayer [post-filing] Compliance Burden Survey. The TCBM is used to estimate taxpayer post-filing burden and inform tax policy and tax law administration. The data from the study will provide additional insights into the issues associated with individuals who are at risk to stop filing and inform refinement of treatments for those individuals who do fail to file a required return.

FY 2017 Changes by Budget Activity

Dollars in Thousands

Shared Services and Support	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	5,231	\$1,141,485
FY 2016 Administrative Provision 113		
FY 2016 Enacted	5,231	\$1,141,485
Changes to Base:		
Maintaining Current Levels (MCLs):		\$18,488
Pay Annualization		2,356
Pay Raise		8,725
Non-Pay		7,407
Subtotal FY 2017 Changes to Base		\$18,488
FY 2017 Current Services (Base)	5,231	\$1,159,973
Program Increases:		
Budget Request Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Leverage New Technologies to Advance the IRS Mission		199
Improve Taxpayer Service		1,460
Subtotal		\$1,659
<i>Drive More Agility and Efficiency in IRS Operations</i>		
Enterprise Electronic Records Management Solution	5	5,397
Subtotal	5	\$5,397
<i>Strategic Focus: Strengthen Cybersecurity and Eliminate Identity Theft</i>		
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	13	7,439
Subtotal	13	\$7,439
Subtotal FY 2017 Budget Request Program Increases	18	\$14,495
Total FY 2017 Total Budget Request	5,249	\$1,174,468
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	18	\$32,983
Percent Change FY 2017 Budget Request over FY 2016 Enacted	0.34%	2.89%
Cap Adjustment Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Enterprise Case Management		90
Subtotal		\$90
<i>Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It</i>		
Increase Collection Coverage	2	7,092
Increase Audit Coverage	1	8,839
Digitizing Form 990		43
FATCA: Implement, Expand Filing Coverage, and Combat Criminal Non-compliance		2,541
Pursue Employment Tax and Abusive Tax Schemes		557
Increase Investigations of Transnational Organized Crime (TOC)		3,086
Subtotal	3	\$22,158
<i>Drive More Agility and Efficiency in IRS Operations</i>		
Operations and Maintenance for Deployed Business Systems Modernization (BSM) Projects		481
Maintain Integrity of Revenue Financial Systems	5	758
Subtotal	5	\$1,239
<i>Alcohol and Tobacco Tax and Trade Bureau Transfer:</i>		
Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities		
Subtotal		
Subtotal FY 2017 Cap Adjustment Program Increases	8	\$23,487
Subtotal FY 2017 Total Program Increases Including Cap Adjustment	26	\$37,982
Total FY 2017 Total Budget Request Including Cap Adjustment	5,257	\$1,197,955
Dollar/FTE Change FY 2017 Budget Request including PIC over FY 2016 Enacted	26	\$56,470
Percent Change FY 2017 Budget Request including PIC FY 2016 Enacted	0.50%	4.95%

3.1.7 – Budget and Performance Report and Plan

Shared Services and Support Budget and Performance Plan

Dollars in Thousands

Shared Services and Support Resource Level	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources ¹	\$1,311,127	\$1,291,568	\$1,214,514	\$1,111,317	\$1,188,067	\$1,138,910	\$1,141,485	\$1,197,954
Reimbursable Resources ²	20,315	19,957	31,486	17,175	19,886	17,126	22,050	23,152
User Fees ²	17,887	4,588	14,938	33,826	7,819	1,768	3,722	19,574
Budget Activity Total	\$1,349,329	\$1,316,113	\$1,260,938	\$1,162,318	\$1,215,772	\$1,157,804	\$1,167,257	\$1,240,680

¹The FY 2010 - FY 2015 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2010 - FY 2015 columns represent realized resources for reimbursables and user fees.

3H – Information Services (\$2,221,051,000 in direct appropriations, \$33,075,000 in reimbursable resources, and an estimated \$248,721,000 from user fees): This budget activity funds staffing, equipment, and related costs to manage, maintain, and operate the information systems critical to the support of the tax administration programs. This includes the design and operation of IT security controls and disaster recovery planning. This budget activity funds the development and maintenance of the millions of lines of programming code that support all aspects and phases of tax processing and the operation and administration of mainframes, servers, personal computers, networks, and a variety of management information systems. IT systems and data are key to all IRS functions.

Information Systems (IT) is responsible for IRS information technology, ranging from cyber security and networks to applications development and end user equipment and services. The program activities include the following:

- *ACA – Program Management Office (PMO)* manages the strategic planning, development, and implementation of new information systems in support of the business requirements associated with healthcare reform.
- *Application Development* performs the analysis, design, development, testing, and implementation of about 550 applications supporting critical tax processing, management information reporting, and financial management support systems for the IRS. This program also supports external trading partner data exchanges with federal government agencies, state and local governments, and other third party entities. The program controls application source code and deploys applications to the production environment.
- *Cybersecurity* delivers IT security services and ensures IRS compliance with federal statutory and regulatory requirements governing confidentiality, integrity, and availability of IRS electronic systems, services, and data. Cybersecurity tracks compliance, continuously monitors risk, and provides remediation to manage the IRS's IT Security Program in accordance with the Federal Information Security Management Act.
- *Enterprise Operations* designs, develops, and maintains IT that supports critical tax processing, management information reporting, and financial management support systems for the IRS. The program supports data exchanges with external organizations, such as other federal agencies, state and local governments, and external entities (e.g., employers and banks), and includes a comprehensive disaster recovery capability to ensure continued operations in the event of a major interruption of service.

- *Enterprise Program Management Office (EPMO)* provides oversight and project integration into daily IT processes for large-scale development, modernization, and enhancement projects. It enables a coordinated, cross functional project planning, implementation, and performance assessment effort to improve the quality, cost, and delivery schedule of IT systems.
- *Enterprise Services* plans and manages service and delivery methods used across the IT organization, including demand analysis, enterprise architecture, configuration management, project reporting, enterprise life cycle management, release management, systems engineering, dashboard reporting, and internal management.
- *IT Executive Oversight* provides support to the Office of the Chief Technology Officer as well as his direct reports for equity, diversity, and inclusion, and the Director, Stakeholder Management (including Communications Services and Program Oversight). The program provides executive direction for the IT organization, enabling IT to be a customer-focused supplier of IT solutions that are responsive to customer business priorities and meet functional and operational needs effectively.
- *IT Infrastructure* provides a centrally managed investment program for the replacement of IRS IT infrastructure that has reached or surpassed its useful life cycle.
- *Management Services* provides for the design, development, delivery, and evaluation of a wide range of human resources programs for the IT organization. These programs include workforce planning, recruitment and retention, career management, performance management, labor/employee relations, position management, workplace improvement, succession management, and service-wide IT training and education.
- *Strategy and Planning* delivers the Enterprise IT investment strategy and portfolio management, addressing a broad spectrum of functions coordinated through four divisions: 1) Business Planning and Risk Management ensures effective demand and risk management, overseeing Enterprise Intake and leveraging the Integrated Release Plan to support risk-based decisions; 2) Financial Management Services, IT's link to the Chief Financial Officer, formulates and executes IT budgets, prepares fiscal policy, and provides financial services to the IT organization; 3) Investment and Portfolio Management and Oversight monitors investments currently executing in the control phase of the Capital Planning and Investment Control process as well as investments and projects that have completed implementation; and 4) Strategic Sourcing strategically manages IT acquisitions and vendors to maximize the value of the IRS's investments while simultaneously minimizing business risk.
- *Treasury Franchise Fund (TFF)* is a centralized functional area that pays for services provided through the Treasury Franchise Fund.
- *User and Network Services* provides telecommunications and desktop support services that allow service-wide. This includes the operation of equipment and services to meet business user needs and the execution of routine changes for scheduled and unscheduled modifications to the telecommunications infrastructure and applications. It addresses all phases of engineering, acquisition, implementation, and operation of telecommunications and desktop systems and services, including voice, video, and data communications.

Description of Performance

The IRS taxpayer service and enforcement programs rely heavily on information systems that fall into the non-business systems modernization (non-BSM) major investment categories. These systems process tax and information returns, account for tax revenues collected, send bills for taxes owed, issue refunds, assist in the selection of tax returns for audit, and provide telecommunication services for all business activities, including the public toll-free telephone system that provides access to tax information.

In FY 2015, the IRS provided new and improved applications and services to make it easier for taxpayers to get assistance and secure tax information.

- Completed transition of the Joint Operations Center (JOC) information systems support from contractor to the IRS. The transition included hardware, communications, and systems management with servers being moved to the IRS's Enterprise Computing Center and Operations Support providing software and third party data acquisition, data management, Federal Information Security Management Act (FISMA) security support, and analytic tools to the JOC.
- Integrated technology to support the Affordable Care Act with 2015 Filing Season tax administration processing, allowing taxpayers to report health insurance coverage, claim health coverage exemptions, report a shared responsibility payment, and claim the ACA Premium Tax Credit. The IRS built the ACA Verification Service (AVS) to enable at-filing checks of tax returns for reporting the Premium Tax Credit, leveraging third-party data from the Insurance Marketplaces, and validating ACA-related tax forms. This system processed millions of tax returns, and helped identify fraudulent and erroneous returns at the initial processing stage, reducing erroneous refunds.
- Opened the first release of the new International Data Exchange Service (IDES) Gateway. The IDES enables both Financial Institutions and Host Country Tax Administrations to comply with their FATCA reporting obligations by safely and securely sending electronic FATCA reports to the IRS.
- Deployed new capabilities associated with Online Bill Pay, IRS Direct Pay, Online Payment Agreement, Return Preparer Lookup, and the IRS2Go mobile application; in time for the start of the 2015 tax filing season.
- Starting in FY 2015, the Cost and Schedule Variance measure that the IRS uses to gauge performance includes all major investments (BSM and non-BSM). This can be found on table 3.1.9. There are 19 major investments currently in progress or delivered to date in FY 2015.

In FY 2016, and beyond, the IRS will continue to focus efforts on expanding its capabilities to identify fraudulent returns and prevent identity theft, enhance cyber monitoring and IT security controls, and enhance services options to taxpayers and practitioners through the development of a customer-centric strategy known as Service on Demand (SOD). In addition to supporting required changes for filing season, major investments for FY 2016 include delivering ACA and FATCA releases.

FY 2017 Changes by Budget Activity

Dollars in Thousands

Information Services	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	6,522	\$1,664,418
FY 2016 Administrative Provision 113	170	\$108,242
Improve Taxpayer Service		1,800
Cyber Security	170	95,442
Strengthening the Prevention of Identity Theft		11,000
FY 2016 Enacted	6,691	\$1,772,660
Changes to Base:		
Maintaining Current Levels (MCLs):		\$27,345
Pay Annualization		3,036
Pay Raise		11,249
Non-Pay		13,060
Efficiencies/Savings:		(\$58)
Increase e-File Savings		(58)
Subtotal FY 2017 Changes to Base		\$27,288
FY 2017 Current Services (Base)	6,691	\$1,799,948
Program Increases:		
Budget Request Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Implement Changes to Deliver Tax Credits and Other Requirements for the Affordable Care Act		153,240
Leverage New Technologies to Advance the IRS Mission		369
Improve Taxpayer Service	9	8,984
Subtotal	9	\$162,593
<i>Drive More Agility and Efficiency in IRS Operations</i>		
Enterprise Electronic Records Management Solution	41	12,500
Subtotal	41	\$12,500
<i>Strategic Focus: Strengthen Cybersecurity and Eliminate Identity Theft</i>		
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	23	21,910
Subtotal	23	\$21,910
Subtotal FY 2017 Budget Request Program Increases	73	\$197,003
Total FY 2017 Total Budget Request	6,764	\$1,996,951
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	73	\$224,291
Percent Change FY 2017 Budget Request over FY 2016 Enacted	1.09%	12.65%
Cap Adjustment Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Enterprise Case Management		202
Subtotal		\$202
<i>Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It</i>		
Increase Collection Coverage	19	15,251
Increase Audit Coverage	39	33,287
Digitizing Form 990	6	2,163
FATCA: Implement, Expand Filing Coverage, and Combat Criminal Non-compliance	70	70,433
Pursue Employment Tax and Abusive Tax Schemes		7,501
Increase Investigations of Transnational Organized Crime (TOC)		1,217
Subtotal	134	\$129,852
<i>Drive More Agility and Efficiency in IRS Operations</i>		
Operations and Maintenance for Deployed Business Systems Modernization (BSM) Projects	73	90,656
Maintain Integrity of Revenue Financial Systems	22	3,390
Subtotal	95	\$94,046
Subtotal FY 2017 Cap Adjustment Program Increases	229	\$224,100
Subtotal FY 2017 Total Program Increases Including Cap Adjustment	302	\$421,103
Total FY 2017 Total Budget Request Including Cap Adjustment	6,993	\$2,221,051
Dollar/FTE Change FY 2017 Budget Request including PIC over FY 2016 Enacted	302	\$448,391
Percent Change FY 2017 Budget Request including PIC FY 2016 Enacted	4.51%	25.29%

3.1.8 – Budget and Performance Report and Plan

Information Services Budget and Performance Plan

Dollars in Thousands

Information Services Resource Level	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources ¹	\$1,877,555	\$1,838,958	\$1,803,268	\$1,803,091	\$1,831,050	\$1,719,293	\$1,772,660	\$2,221,051
Reimbursable Resources ²	17,231	16,286	5,154	8,850	4,734	24,262	31,500	33,075
User Fees ²	36,081	26,764	59,823	145,036	198,206	373,610	391,940	248,721
Budget Activity Total	\$1,930,867	\$1,882,008	\$1,868,245	\$1,956,977	\$2,033,990	\$2,117,165	\$2,196,100	\$2,502,847

¹The FY 2010 - FY 2015 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2010 - FY 2015 columns represent realized resources for reimbursables and user fees.

Business Systems Modernization

Appropriation Description

The Business Systems Modernization (BSM) appropriation provides resources for the planning and capital asset acquisition of IT to modernize the IRS business systems.

The BSM budget request for FY 2017 is \$343,415,000 in direct appropriations and 469 FTE. This is an increase of \$53,415 or 18.42 percent, and 29 FTE more than the FY 2016 Enacted level of \$290,000,000 and 440 FTE.

The performance measures reflected in the Enforcement appropriation support and align to *Goal 3: Fairly and effectively reform and modernize federal financial management, accounting, and tax systems, Objective 3.3: Pursue tax reform, implement the Patient Protection and Affordable Care Act and Foreign Account Tax Compliance Act, and improve the execution of the tax code* of the Department of the Treasury's FY 2014 – FY 2017 Strategic Plan.

2.1 – Budget Adjustments Table

Dollars in Thousands

Business Systems Modernization	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	440	\$290,000
FY 2016 Enacted	440	\$290,000
Changes to Base:		
Maintaining Current Levels (MCLs):		\$900
Pay Annualization		191
Pay Raise		709
Subtotal FY 2017 Changes to Base		\$900
FY 2017 Current Services (Base)	440	\$290,900
Program Increases:		
Budget Request Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Leverage New Technologies to Advance the IRS Mission	29	52,515
Subtotal	29	\$52,515
Subtotal FY 2017 Budget Request Program Increases	29	\$52,515
Total FY 2017 Total Budget Request Including Cap Adjustment	469	\$343,415
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	29	\$53,415
Percent Change FY 2017 Budget Request over FY 2016 Enacted	6.64%	18.42%

2.2 – Operating Levels Table

Dollars in Thousands

Business Systems Modernization Object Classification	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
11.1 Full-Time Permanent Positions	36,922	53,386	57,328
11.3 Other than Full-Time Permanent Positions	385	74	75
11.5 Other Personnel Compensation	588	3,041	3,157
11.9 Personnel Compensation (Total)	37,895	56,501	60,560
12.0 Personnel Benefits	11,086	15,433	16,597
Total Personnel and Compensation Benefits	\$48,981	\$71,934	\$77,157
21.0 Travel	35	593	1,081
22.0 Transportation of Things			
23.3 Communications, Utilities, & Misc			
24.0 Printing & Reproduction			
25.1 Advisory & Assistance Services	52,280	181,393	228,991
25.2 Other Services	34	499	522
25.3 Purchase of Goods & Services from Govt. Accounts		35	35
25.4 Operation & Maintenance of Facilities			
25.7 Operation & Maintenance of Equipment	2,691	2,376	2,376
26.0 Supplies and Materials	1	68	151
31.0 Equipment	3,723	33,102	33,102
Total Non-Personnel	\$58,764	\$218,066	\$266,258
New Appropriated Resources	\$107,745	\$290,000	\$343,415
Budget Activities:			
IT Investments	107,745	290,000	343,415
New Appropriated Resources	\$107,745	\$290,000	\$343,415
FTE	309	440	469

2.3 – Appropriation Detail Table

Dollars in thousands

Business Systems Modernization						Change		% Change		
Appropriated Resources						FY 2016 to FY 2017 Request		FY 2016 to FY 2017 Request		
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Business Systems Modernization	309	\$107,745	440	\$290,000	469	\$343,415	29	\$53,415	6.59%	18.42%
Subtotal New Appropriated Resources	309	\$107,745	440	\$290,000	469	\$343,415	29	\$53,415	6.59%	18.42%
Other Resources:										
Reimbursables										
Offsetting Collections - Non Reimbursables										
User Fees										
Recovery from Prior Years										
Unobligated Balances from Prior Years	31	133,783		276,443		276,197		(246)		-0.09%
Transfers In/Out										
Resources from Other Accounts										
Subtotal Other Resources	31	\$133,783		\$276,443		\$276,197		(\$246)		-0.09%
Total Budgetary Resources	340	\$241,528	440	\$566,443	469	\$619,612	29	\$53,169	6.59%	9.39%

3I – Business Systems Modernization (\$343,415,000 in direct appropriations): This budget activity funds the planning and capital asset acquisition of information technology (IT) to modernize IRS business systems, including labor and related contractual costs.

Business Systems Modernization (BSM) uses best practices and expertise in business solutions and internal management from the IRS, businesses, and the technology sectors to develop a world-class tax administration system. The program provides value to taxpayers, the business community, and the government, and it plays an integral role in reducing the tax gap. BSM has delivered improved taxpayer service, electronic filing, and data analysis capabilities, and it has maintained strong performance in delivering projects within planned cost, schedule, and scope estimates.

The following projects are supported by the FY 2017 BSM request of \$343.3 million:

CADE 2 (Taxpayer Account Database): Implements a single, data-centric solution that provides daily processing of taxpayer accounts. A major component of the CADE 2 program is a modernized relational database and comprehensive data model for all individual taxpayers that provides the foundation for more efficient and effective tax administration. In Transition State 2 of the CADE 2 initiative, the modernized database will become the IRS's authoritative source for taxpayer account data, as it begins to address core IMF financial material weakness (FMW) requirements for individual taxpayer accounts. Existing financial reports will be modified to take into account the increased level of detail and accuracy of data in the CADE 2 database. In addition, CADE 2 data will be made available for access by downstream systems, such as the Integrated Data Retrieval System (IDRS), for online transaction processing by IRS customer service representatives. It will enable analytical reporting for more meaningful business intelligence and expanded opportunities to increase compliance.

Enterprise Case Management (ECM): Addresses the need to modernize and upgrade aging IRS case management systems. These resources will provide for an enterprise solution using a Commercial Off-the Shelf (COTS) product for performing standard case management

functions, an infrastructure platform, and a common service that case management applications will leverage.

Event Driven Architecture (EDA): Funds the development of a framework that processes tax returns immediately upon arrival, which will provide a scalable infrastructure and the ability to balance distributed workflows, resulting in a more efficient infrastructure model and improved customer service.

Modernized e-File (MeF): Provides a standard filing structure for all IRS return types, a robust platform that meets performance and capacity needs, enhanced and up-to-date technologies, and customer service benefits that are of great appeal to external customers and stakeholders. With MeF, the IRS stores all tax return data in XML format in a Modernized Tax Return Database (MTRDB), allowing all authorized viewers of the data to see an entire tax return online. Once fully implemented, all tax returns and transmission files will be standardized and adhere to IRS rules/schemas.

Return Review Program (RRP): Delivers an integrated and unified system that enhances IRS capabilities to detect, resolve, and prevent criminal and civil tax non-compliance. The RRP provides a flexible and accessible system capable of supporting a cross-functional approach to address criminal and civil tax non-compliance. In addition, the RRP allows analysis and support of complex case processing requirements for compliance and criminal investigation programs during prosecution, revenue protection, accounts management, and taxpayer communications processes.

Web Applications (formerly Enhance Online Services (OLS)): Will simplify the taxpayer's online experience, provide secure digital communications, and add more interactive capabilities to existing web self-service products. This will allow taxpayers to resolve more issues online, requiring fewer direct interactions with the IRS over the telephone and in person.

Architecture, Integration and Management (AI&M): Provides engineering management capabilities essential to delivering a program of BSM's magnitude and complexity. It also delivers essential IRS systems strategy, architecture, and engineering capabilities for the major modernization projects across all technology platforms: IT Infrastructure, Business Applications, Data Management, and IT Security. The AI&M program translates enterprise and project objectives into targeted, actionable investments to provide the necessary framework and direction for a cohesive, successful modernization.

Core Infrastructure: Provides mission-critical services for designing, engineering, testing, and deploying standardized, consolidated, virtual, and secure modernized development and production environments for use by BSM projects.

The IRS is modernizing taxpayer applications to take advantage of web-based technologies that allow taxpayers to communicate with the IRS through the Internet using commercially available technology. The modernized infrastructure provides a complete environment (hardware, software, processes, and management) for developing, testing, deploying, operating, and monitoring both customer and internal applications in support of business

practices. This includes continuing to update the web portal environment and standardizing services, security, and operations management.

This approach facilitates the IRS's ability to develop a shared infrastructure and common business service solutions that are usable across multiple BSM projects.

Management Reserve: Allows the IRS some flexibility to cover unanticipated cost adjustments.

Labor and support: This activity provides the labor and support costs associated with the development of projects within the BSM portfolio.

FY 2017 BSM Project Activities

Dollars in Thousands

Business Systems Modernization	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Budget Request	Difference 2016 to 2017
CADE 2 (Taxpayer Account Database) Continue the design and development of applications that will modernize core tax processing application architecture, address financial material weakness, and expand capabilities in leveraging the CADE 2 relational database as the authoritative source of individual taxpayer data.	100,000	91,000	100,000	9,000
Enterprise Case Management Provide an enterprise-wide strategic approach to case management that will implement standard case management functions, an infrastructure platform, and common services that a case management application will leverage. The anticipated results are to streamline processes, reduce the number of duplicative applications and improve data accessibility and usability.	2,000	25,000	35,000	10,000
Event Driven Architecture A framework that processes the tax return immediately upon arrival. Just-in-time processing will allow each individual return to flow independently through the system at its own pace. This will allow the IRS to move away from batch processing, view returns dynamically, and understand the status of a return as it is processed.	0	2,500	30,000	27,500
Modernized e-File Fund Milestone 4b (development and testing) of Release 11, Form 1040NR BMF Components & Shared Components (to include Dual Status and Fiscal Year Returns).	28,500	7,700	12,000	4,300
Return Review Program Provide leading-edge technologies to advance IRS effectiveness in detecting, addressing, and preventing tax refund fraud and protecting US Treasury revenue. The RRP system contains multiple data sources combined with sophisticated modeling and business rule analytics to support pre-refund revenue protection, compliance and post-refund criminal investigation and prosecution.	38,475	32,000	32,000	0
Web Applications Drive the IRS transition to digital government and supports the long-term vision of migrating services from expensive traditional channels to the internet. To keep pace with the ever changing state of web technology and increasing taxpayer demand for IRS service, the IRS must create and enhance online self-service capabilities for taxpayers, tax practitioners, and internal IRS stakeholders. Web Applications will continue to enhance the taxpayer's experience by providing additional self-service options within a secure communications infrastructure.	12,500	13,000	17,000	4,000
Architecture, Integration, and Management Provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities, across IT Infrastructure, Business Applications, Data Management, and IT Security. Provide portfolio control and management processes and tools, including governance, enterprise lifecycle support, tiered program management, and configuration/change management.	28,900	26,000	20,000	-6,000
Core Infrastructure Provide shared infrastructure that leverages reusable engineering design patterns and best practices for standardized, virtual, and secure environments. These environments allow multiple BSM projects to develop, test, deploy, operate, and monitor in a common approach.	15,465	15,000	15,000	0
Management Reserve	4,284	2,500	3,470	970
Subtotal Capital Investments	\$230,124	\$214,700	\$264,470	\$49,770
Labor ¹	58,872	71,933	77,155	5,222
Support	1,004	3,367	1,790	(1,577)
Total BSM	\$290,000	\$290,000	\$343,415	\$53,415

¹ FY 2017 labor includes \$900K of MCLs and excludes \$973K of corporate costs which are reflected in the Operations Support appropriation.

Description of Performance

The IRS's modernization efforts focus on building and deploying advanced information technology systems, processes, and tools to improve efficiency and productivity.

For the Business Systems Modernization program (BSM), the IRS reports two budget level measures that track the percentage of major projects that are within the +/-10 percent Cost and Schedule variance threshold.

Starting in FY 2015, the measure includes all major investments (BSM and non-BSM). There are 19 major investments currently in progress or delivered to date in FY 2015.

Major IT (BSM and Non-BSM) Investments		
Fiscal Year	Percent within +/- 10% Cost Variance	Percent within +/- 10% Schedule Variance
2015	73.7%	89.5%

In FY 2015, 14 of 19 major investments (73.7 percent) were within 10 percent cost variance. Reductions in the budget have caused hiring freezes and have necessitated changes in scope, realignment, rescheduling, and consolidation of activities. This has resulted in less spending than planned. Baseline Change Requests (BCRs) are in process to address these updated plans. Four of the five investments that did not meet the cost variance threshold were due to under spending; e-Services (e-SVS), Account Management Services (AMS), FATCA, and IRS End User Systems and Services (EUSS). The Electronic Fraud Detection System (EFDS) investment is slightly over budget due to the delay of planned FY 2014 work until FY 2015 and expiration of a work contract that had to be renewed. In FY 2016, IRS will continue to rigorously monitor program activities and address any issues associated with cost to meet the FY 2016 and FY 2017 target of 90 percent.

In FY 2015, 17 of 19 major investments (89.5 percent) were within the schedule variance.

FY 2017 Changes by Budget Activity

Dollars in Thousands

Business Systems Modernization	FTE	Amount
FY 2016 Enacted (before Administrative Provision 113)	440	\$290,000
FY 2016 Administrative Provision 113		
FY 2016 Enacted	440	\$290,000
Changes to Base:		
Maintaining Current Levels (MCLs):		\$900
Pay Annualization		191
Pay Raise		709
Subtotal FY 2017 Changes to Base		\$900
FY 2017 Current Services (Base)	440	\$290,900
Program Increases:		
Budget Request Program Increases:		
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>		
Leverage New Technologies to Advance the IRS Mission	29	52,515
Subtotal	29	\$52,515
Subtotal FY 2017 Budget Request Program Increases	29	\$52,515
Total FY 2017 Total Budget Request	469	\$343,415
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	29	\$53,415
Percent Change FY 2017 Budget Request over FY 2016 Enacted	6.64%	18.42%

3.1.9 – Budget and Performance Report and Plan

Business Systems Modernization Budget and Performance Plan

Dollars in Thousands

Business Systems Modernization Resource Level	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources ¹	\$263,897	\$263,369	\$330,210	\$312,938	\$312,938	\$290,000	\$290,000	\$343,415
Reimbursable Resources ²								
User Fees ²		88,948						
Budget Activity Total	\$263,897	\$352,317	\$330,210	\$312,938	\$312,938	\$290,000	\$290,000	\$343,415

¹The FY 2010 - FY 2015 appropriated resources represents the approved operating plan.

²The FY 2010 - FY 2015 columns represent realized resources for reimbursable resources and user fees.

Business Systems Modernization Measures	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Percent of BSM Projects within +/- 10% Cost Variance (E)	40.0%	71.4%	50.0%	0.0%	66.7%	NA		NA	NA
Percent of BSM Projects within +/- 10% Schedule Variance (E)	100.0%	100.0%	90.0%	83.3%	100.0%	NA		NA	NA
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level ¹ - new for FY 2015						73.7%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level ¹ - new for FY 2015						89.5%	90.0%	90.0%	90.0%

Key: E - Efficiency Measure

Starting in FY 2015, these measures, currently reflected in the Performance Summary Table, include all major investments (BSM and non-BSM) whereas in the previous fiscal years it

Section 4 – Supplemental Information

4.1 – Summary of Capital Investments

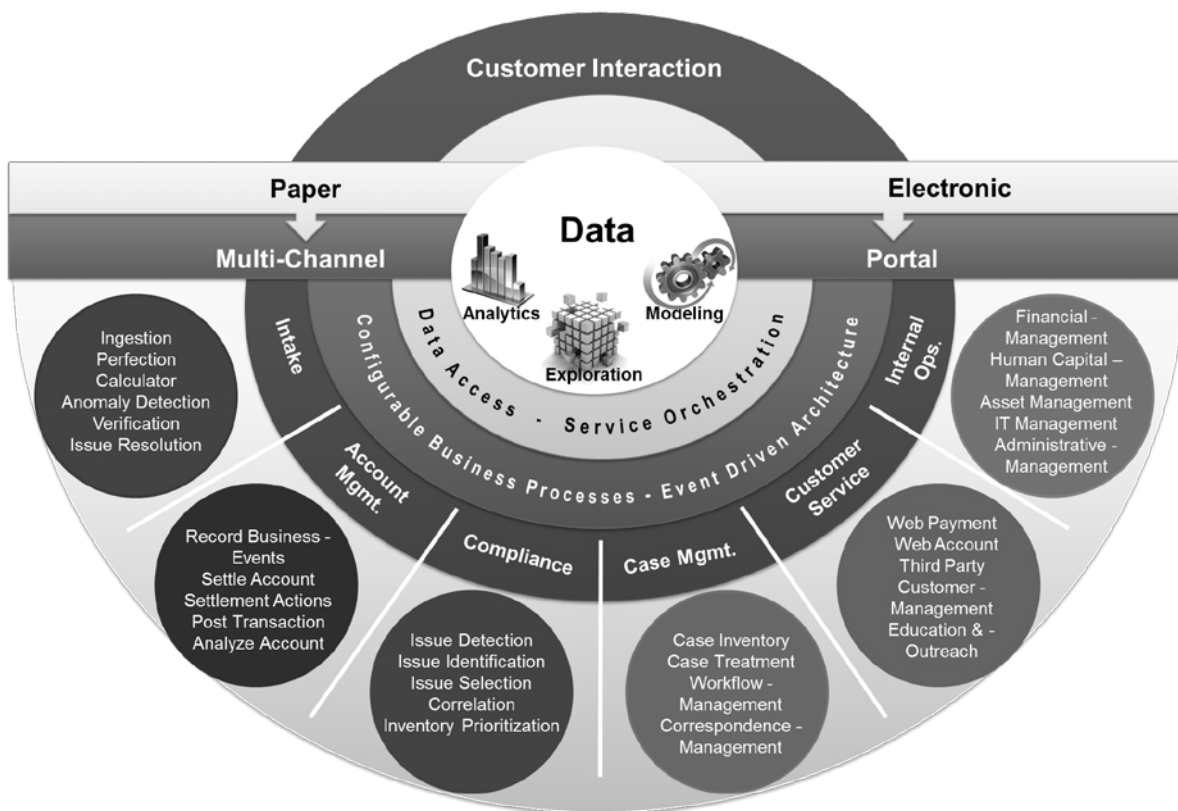
A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded at:

<http://www.treasury.gov/about/budget-performance/pages/summary-of-capital-investments.aspx>.

This website also contains a digital copy of this document.

4A – Capital Investment Strategy

2015 IRS Technology Roadmap - Conceptual View



The conceptual, top-level view of the *Technology Roadmap* identifies the major services that support each core business area along with the major architectural principles and constructs. Critical components of the *Technology Roadmap* include:

- **Data:** In response to the complex information ecosystem required for tax administration, the very core of the conceptual view is data. The *Technology*

Roadmap envisions a future where all six of the core business areas – *Intake, Accounts Management, Compliance, Case Management, Customer Service, and Internal Operations* – consume a shared, centralized, authoritative set of data seamlessly, with the ability to easily and efficiently organize, manage, store, retrieve, manipulate, analyze and share data.

- **Data Access / Service Orchestration:** The long-term architectural vision for IRS is to move toward complete service orientation. In contrast to the monolithic, stove-piped applications of today, users from any business area will seamlessly invoke services and reach to data on demand. The move toward service orientation will allow system developers to reuse component services in many different contexts, improving agility in meeting user needs.
- **Multi-Channel Portal:** In response to user demands, cost constraints, and the changing technology landscape, the *Technology Roadmap* provides a secure, multi-channel portal for both internal and external stakeholders as a single point of entry to access IRS services and data from “any device, any place, any time.”
- **Business Areas:** The six IRS business areas – *Intake, Accounts Management, Compliance, Case Management, Customer Service, and Internal Operations* – encompass all IRS operations as large functional groupings of capabilities and services. The IRS structured these business areas to cut across organizational boundaries to serve a key Enterprise Architecture goal of identifying and building out shared solutions for common, shared business processes and needs. Throughout the *Technology Roadmap*, much of the vision for business capabilities, applications, and services is organized around these six business areas.
- **Configurable Business Processes / Event-Driven Architecture (EDA):** The *Technology Roadmap* leverages event driven architecture as a framework to orchestrate business processes and application services in response to business events. This approach allows the IRS to provide and optimize real time services.

FY 2017 Capital Investments

These investments will help the IRS develop shared solutions for the taxpayer and tax professionals:

The Customer Account Data Engine 2 (CADE 2) provides state-of-the-art individual taxpayer account processing and data-centric technologies to improve service to taxpayers and enhance IRS tax administration. CADE 2 daily processing enables faster taxpayer refunds, more timely account updates, and faster issuance of taxpayer notices – while leveraging a *single centralized relational database for all individual taxpayer accounts*.

Transition State 2 (TS2) supports the IRS’s plans to reengineer the Individual Master File (IMF) by: (1) applying modern programming languages; (2) establishing CADE 2 as the authoritative data source for legal and financial purposes; and (3) implementing functionality to address the IRS Financial Material Weakness over unpaid tax assessments for individual taxpayer accounts.

E-Services is for authorized tax professionals and qualifying large business. This is a suite of Web-based self-assisted services for conducting business with the IRS electronically (E-Services products are not available to the individual taxpayer). E-Services products currently available include:

- **Registration** – permits creation of an electronic account by selecting a username, password, and personal identification number.
- **E-File Application** – lets tax professionals submit a three-step application to file/transmit returns electronically and check suitability, which may include a criminal background or other compliance check.
- **Taxpayer Identification Number (TIN) Matching** – allows authorized third parties who submit any of seven information returns, subject to backup withholding, to match up to 25 payee TIN and name combinations against IRS records before submitting an information return. Payers can confirm a taxpayer-provided social security number or employer identification number. Bulk TIN matching allows authorized tax professionals filing any of the seven information returns to match up to 100,000 TIN and name combinations.
- **Transcript Delivery System** – permits authorized tax professionals with powers of attorney or taxpayer authorizations to receive, in a secure online session, account transcripts, wage and investment documents, tax return transcripts, and verification of non-filing letters to resolve clients' needs for return and account information quickly.
- **Return Preparer Registration - Identity Verification Service (RPR-IVS)** – performs an identity verification check for tax preparers before the IRS issues a Preparer Tax Identification Number (PTIN). The check includes, but is not limited to, verification of the applicant's SSN, Name, and Address of Record, with IRS records. IRS Direct Pay also has applied RPR-IVS to verify a taxpayer's identity before allowing them to make a tax payment.
- **Taxpayer Identification Number (TIN) Validation Enterprise Common Service (TINV-ECS)** – provides both interactive and batch processing for validation of Taxpayer Identification Numbers, which are comprised of the taxpayer's name, social security number, and employer identification number.
- **Automated Electronic Fingerprinting** – provides criminal data checks in less than 24 hours for tax practitioners requesting use of electronic filing services. IRS will scan submitted fingerprint cards electronically and send to the Federal Bureau of Investigation (FBI) for a criminal background check. The results will be loaded into the IRS Third Party Data Store (TPDS) for use in fraud detection.
- **External Services Authorization Management (ESAM)** – provides the capability for Affordable Care Act (ACA) Information Return Filers to resolve Health Insurance Marketplace and Health Insurers' inquiries involving tax return and account information quickly.

Web Services Infrastructure investment provides the infrastructure for one-stop, Web-based services with the long-term goal of providing a virtual tax assistance center for internal and external users. This investment enables landing page access to services for taxpayers, businesses, practitioners, electronic return originators and IRS employees. Services made

available by the IRS Web Services Infrastructure investment include easy access to forms and publications, electronic payment transactions, delivery of transcripts, tracking of refunds and amended returns, modernized e-filing, free-file for certain classes of taxpayers, and other electronic services. Planned enhancements for the IRS Web Services Infrastructure include more secure and reliable portals with a modernized portal design and increased systems capacity.

Return Review Program (RRP) is an integrated system that adds to the IRS's capability to detect, resolve, and prevent criminal and civil tax non-compliance and fraud. The RRP will use third-party data to ensure the accuracy of income and withholding reported on a return. The RRP objectives include:

- Increase identification of false tax refunds in a timely manner;
- Prevent the issuance of false tax refunds;
- Improve the IRS's ability to detect identity theft;
- Identify 12 common frivolous arguments on tax returns;
- Determine follow-up actions for potential criminal activity related to false tax refund crimes;
- Detect tax refund crime schemes;
- Refer false and highly questionable returns for audit; and
- Automate many manual tasks.

Event Driven Architecture (EDA) will allow the IRS to provide a more efficient means of processing tax returns, thereby issuing tax refunds and/or collecting tax revenue owed more timely. It is a framework that processes the tax return immediately upon arrival. Currently, tax returns are bundled together. A correct return in the batch can be held up by another return with issues. Real time processing will allow each individual return to flow independently through the system. This will allow the IRS to view returns dynamically and understand the status of a return as it is processed. The EDA will transform the current tax processing architecture to a more scalable design that maximizes the technology investments and supports business agility.

Enterprise Case Management will address the need to modernize, upgrade, and consolidate multiple aging IRS case management systems. A common case management environment will yield efficiencies by implementing standard case management functions, providing visibility across all types of tax transactions and improving data accessibility and usability.

4B – IRS Aging Legacy Information Technology (IT) Infrastructure (non-BSM) Proposed Long-term Multiyear Funding Strategy and Timetable

The IRS established a Sustaining Infrastructure (SI) program to provide for long-term infrastructure viability with the flexibility to meet dynamically changing business requirements. The SI program includes a prioritization process to replenish aged assets that support the most critical IRS business needs. The prioritization process is a long-term funding strategy, to upgrade and modernize aging legacy IT infrastructure for non-Business Systems Modernization projects. The process is built on leading business practices and

strategic objectives that support the IRS mission while ensuring compliance with federal laws and agency oversight.

Each year the IRS assesses and funds projects in the following four portfolios:

Portfolio Name	Description	Average Percentage of Portfolio
Sustaining Infrastructure	Aged inventory beyond useful life	65%
Sustaining Architecture & Engineering	Aged inventory not past its useful life, but tied to production applications or critical business need	15%
Sustaining Enterprise System Software	Updating aged software (beyond useful life) to achieve (N)(N-1)	11%
Sustaining Other	Operational Demand	9%

The objectives of the SI prioritization process are to:

- Achieve an acceptable level of aged assets (20 – 25 percent);
- Reduce the aged inventory of IRS infrastructure;
- Describe an IRS future infrastructure replacement decision model;
- Focus replacement investment decisions on the future infrastructure vision;
- Assist in preparing annual asset retirement goals; and
- Make the most efficient infrastructure investments.

The benefits of the SI prioritization process include:

- Reducing overall operational infrastructure cost of the IT Organization;
- Reducing equipment diversity and quantity;
- Improving infrastructure capacity;
- Improving governance;
- Increasing IT security;
- Improving disaster recovery operations; and

- Directing infrastructure to a more efficient world-class environment.

The SI prioritization process is defined by four lifecycle phases: Pre-Select, Select, Control, and Evaluate. During each phase, the IRS governance bodies make decisions using defined processes and data regarding the investments under consideration. Approved investments become part of the larger SI investment portfolio, and both new and ongoing investments are monitored continuously throughout their lifecycle against Key Performance Indicators (KPIs) for Deputy Chief Information Officer (DCIO) and Infrastructure Executive Steering Committee (IESC) review. The IRS conducts post-implementation assessments to ensure Cost, Schedule, and the overall goals of the project were successfully completed.

The four-lifecycle phases of the SI Prioritization Process are described below:

- The ***Pre-Select Phase*** assesses proposed IT solutions for unmet business requirements. The pre-selection phase creates a portfolio of IT project investments designed to improve overall organizational performance. The three-step pre-selection process is:
 - ***Step 1 – Screen IT proposals for relevance and feasibility.*** A mature investment screening process prescribes the required amount of documentation and level of analytical rigor, depending on the project's type (e.g., mission critical infrastructure, etc.) and phase (e.g., initial concept, new, ongoing, and operational).
 - ***Step 2 – Retain proposals with the highest potential to support the IRS critical mission and/or operations.*** If viable, the proposal moves into the Investment Management Plan (IMP) development stage.
 - ***Step 3 – Prioritize the list of IT projects.*** After completing the analysis, the IRS develops a ranked listing of IT projects.
- During the ***Select phase***, an executive level, decision-making body determines which projects to fund based on the analyses completed during the pre-select phase. The process prioritizes IT investments in accordance with organizational priorities and strategic direction. Projects are funded based on budget constraints with consideration for technical soundness of projects, contribution to mission needs, performance improvement priorities, and overall available budget levels.
- The ***Control Phase*** begins once investments are selected and approved for funding. The Control Phase monitors on-going IT projects during the planning, acquisition, deployment, and operation and maintenance stages of the IT investment life cycle. The primary objective is to assess the investment's performance and enable effective management of all major IT investments within the IRS. If a project is late, over cost, or not being developed according to approved IMPs, projects may be modified or cancelled.
- The ***Evaluate Phase*** includes two components: a Post Implementation Review (PIR) on implemented or cancelled investments and an annual analysis of the performance of the IRS's portfolio management process. During PIRs, data is collected, recorded, and analyzed to compare expected results against actual benefits and returns. Once investments are fully implemented or cancelled, actual versus expected results are evaluated to assess the investment's impact on strategic performance, identify

modifications that may be needed, and revise the investment management process based on lessons learned.

4C – Summary of FY 2015 Savings Realized

The IRS FY 2015 President’s Budget request of \$12,476.5 million was built on the FY 2014 Enacted level of \$11,290.6 million and included \$95.2 million and 70 FTE in reductions to the IRS FY 2014 base budget. However, the FY 2015 Enacted budget was \$10,945.0 million, leaving the IRS with a \$345.6 million shortfall in appropriated funding if it were to continue at the same level of employment and output as in FY 2014. In addition, the IRS estimated it would need \$223.2 million to cover the cost of MCLs in FY 2015, for a total shortfall of nearly \$570 million.

Dollars in Millions	
Internal Revenue Service	
FY 2014 Enacted	\$11,290.6
Changes to Base:	
Maintaining Current Levels (MCLs)	\$223.2
Pay Raise	102.1
FERS Contribution Increase	75.3
Non-Pay Inflation Adjustment	45.8
FY 2015 Current Services	\$11,513.8
FY 2015 Enacted	\$10,945.0
Current Services Shortfall	(\$568.8)

The FY 2015 President’s Budget proposed \$95.2 million in savings and efficiencies, but additional savings needed to be identified in response to lower than expected enacted appropriations. The IRS tried to maintain the integrity of its programs and reduce disruption to taxpayers, but significant service impacts were unavoidable. In FY 2015, the IRS obligated \$10,650.4 million from newly appropriated resources, down \$277.1 million, or 2.5 percent, from FY 2014.

Adjustment for FERS Increase

Projected Savings: (-\$76,375,000)

Estimated Savings Realized: (\$-500,000,000)

The IRS projected that by continuing to closely manage personnel costs it would save enough money to absorb the cost of the FERS contribution increase in FY 2015. The IRS realized approximately 4,400 fewer FTE in FY 2015 than in FY 2014 as a result of the hiring freeze. Savings from reduced FTE realization in FY 2015 is estimated to be approximately \$500 million. In addition to covering the \$76.4 million increase in FERS, the IRS used savings from attrition to cover other labor increases, such as the pay raise, career ladder increases, increase in the Federal Employee Health Benefits rate, and other labor inflationary costs. Once these additional increases were funded, remaining savings of approximately

\$270 million from reduced FTE realization were available to fund other mission critical needs.

Increase e-File Savings

Projected Savings: (-\$2,800,000 / -55 FTE)

Actual Savings Realized: (-\$6,209,800/ -122 FTE)

The IRS realized savings of 122 FTE and \$6.2 million in FY 2015 as a result of increases in electronically filed returns. The savings exceeded the projected savings by \$3.4 million and 67 FTE. The numbers of paper returns received by the IRS decreased by 2.3 million from FY 2014 to FY 2015 while the number of electronically filed returns increased by 6.5 million over the same period.

Health Coverage Tax Credit (HCTC) Program Termination

Projected Savings: (-\$16,025,000 / -15 FTE)

Actual Savings Realized (-\$13,752,866 / -7.63 FTE)

Projected savings were lower for the HCTC program due to budget reductions in program support areas and high attrition rates during FY 2013 and FY 2014. In FY 2013, the termination of the HCTC program was announced. Employees assigned to HCTC program began to attrite in FY 2013, and as a result at the start of FY 2014 only nine employees remained on board. Over the course of the fiscal year, HCTC lost three additional employees, leaving six on board at the conclusion of the fiscal year. Agency-wide cuts to travel and contract support reduced the amount of program savings. The Trade Adjustment Assistance Act of 2015 (P.L. 114-27) requires the IRS to reinstate the HCTC program and retroactively extend benefits effective immediately, and continuing through calendar year 2019.

Rent:

Actual Savings: (-\$17,600,000)

Rent is one of the IRS's largest organizational operating expenses. The IRS completed 59 projects to release more than 624,306 rentable square feet of space from inventory for an annual rent savings of more than \$17.6 million.

Contracts:

Actual Savings: (-\$68,600,000)

Negotiations leading to contract savings included price, labor hours, travel costs, considerations attained, schedule changes, price discounts, and more. In FY 2015, \$68.6 million of savings were realized through contract negotiations.

4D - Return on Investment (ROI) for IRS Major Enforcement Programs

The actual cost and actual revenue collected for FY 2011 through FY 2015 for the three major enforcement programs, Examination, Collection, and Automated Underreporter (AUR) are provided below. The activities included in these programs include:

Examination Program conducts examinations of tax returns of individual taxpayers, businesses, and other types of organizations to verify that the tax reported is correct. This includes examinations of individual, small business, self-employed, large corporate business, partnerships, international, estate and gift, excise tax and employment tax, and tax-exempt, qualified pension benefit plans, and Government entities. The examination costs include the cost of the Field Exam, Correspondence Exam, IRS Chief Counsel, and Appeals functions.

Collection Program collects delinquent taxes and secures delinquent tax returns, through the appropriate use of enforcement tools such as lien, levy, seizure of assets, installment agreement, offer in compromise, substitute for return, summons, and IRC 6020(b) (which allows the IRS to prepare returns if a taxpayer neglects or refuses to file); and provides education to taxpayers to enable future compliance. The cost of the Collection program includes Automated Collection System (ACS), Field Collection, and Payment Compliance/Correspondence Collection.

Automated Underreporter (AUR) Program matches payer information returns (Forms 1099, W-2, etc.) against data reported on individual tax returns to the IRS. The information is verified to identify any discrepancies. If a discrepancy is found, the case is given to a tax examiner for research and analysis. If the tax examiner is unable to resolve the discrepancy, a proposed notice is issued and a proposed assessment is generated.

ROI is calculated by dividing revenue by cost. This information provides an indication of the ROI for the three major enforcement programs over time, but it is important to note that enforcement revenue collected in a fiscal year includes tax, interest, and penalties from multiple tax years. Some enforcement activities can take more than a year to close and may generate revenue over several years.

These data reflect the average ROI for these programs and do not include indirect effects of IRS enforcement activities on voluntary compliance. As such, they are not intended to be used to allocate resources or maximize revenue. Net revenue is maximized only when resources are allocated according to *marginal direct and indirect* return on investment, but those ratios are much more challenging to estimate than the average ROI shown here. As a result, the IRS will continue to allocate enforcement resources across a range of enforcement activities to ensure taxpayers pay the taxes they owe with integrity and fairness to all.

Table 4.2 - Return on Investment for IRS Major Enforcement Programs

Dollars in Millions															
Enforcement Program	FY 2011			FY 2012			FY 2013			FY 2014			FY 2015		
	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI
IRS Total	\$6,543	\$55,229	8.4	\$6,242	\$50,187	8.0	\$5,883	\$53,345	9.1	\$5,839	\$57,146	9.8	\$5,644	\$54,203	9.6
Examination	4,333	18,924	4.4	4,232	14,476	3.4	3,965	16,662	4.2	3,965	18,983	4.8	3,974	13,320	3.4
Collection	1,939	31,060	16.0	1,742	30,442	17.5	1,660	31,396	18.9	1,618	33,198	20.5	1,419	35,740	25.2
Automated Underreporter (AUR)	270	5,245	19.4	267	5,269	19.7	258	5,287	20.5	256	4,965	19.4	251	5,143	20.5

¹The cost of the enforcement programs was calculated using budget data from the IRS Integrated Financial System (IFS) and includes direct dollars and FTE from the Enforcement appropriation, Exam and Collections budget activity, and dollars from the Operations Support appropriation prorated using actual FTE realized for each major enforcement program.

4.3 – IRS Performance Measure Table

IRS Performance Measures										
Performance Measures	Type of Measure	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2015 Target	FY2016 Target	FY2017 Target
Customer Service Representative Level of Service (LOS) ¹	Oe, L	74.0%	70.1%	67.6%	60.5%	64.4%	38.1%	38.0%	47.0%	70.0%
Customer Contacts Resolved per Staff Year	E	10,744	12,419	16,320	20,767	21,018	26,245	21,000	28,000	25,700
Customer Accuracy - Tax Law (Phones)	Ot	92.7%	93.4%	93.2%	95.7%	95.0%	95.0%	92.0%	92.0%	92.0%
Customer Accuracy - Accounts (Phones)	Ot	95.7%	96.0%	95.6%	96.0%	96.2%	95.5%	94.0%	94.0%	94.0%
Timeliness of Critical Filing Season Tax Products to the Public	Ot	95.3%	96.3%	97.2%	58.9%	99.1%	89.0%	95.0%	87.0%	87.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public	Ot	97.7%	96.4%	94.5%	83.6%	98.7%	92.6%	95.0%	87.0%	87.0%
Percent Individual Returns Processed Electronically	Oe, L	69.3%	76.9%	80.5%	82.5%	84.1%	85.3%	84.6%	86.0%	86.0%
Percent of Business Returns Processed Electronically	Oe, L	25.5%	31.8%	36.7%	40.2%	43.1%	47.0%	46.5%	48.0%	48.0%
Refund Timeliness - Individual (Paper)	Ot	96.1%	99.4%	99.7%	99.0%	98.7%	98.8%	94.0%	97.0%	97.0%
Taxpayer Self-Assistance Rate	E, L	64.4%	70.1%	78.5%	83.3%	84.7%	88.7%	85.0%	90.0%	89.0%
Examination Coverage - Individual	Oe, L	1.1%	1.1%	1.0%	1.0%	0.9%	0.8%	0.8%	0.6%	0.7%
Field Exam Nat'l Quality Review Score	Oe, L	84.9%	85.8%	87.4%	89.2%	88.4%	86.7%	89.6%	86.7%	86.7%
Office Exam Nat'l Quality Review Score	Oe, L	91.6%	90.4%	91.3%	90.3%	90.6%	88.3%	90.2%	88.3%	88.3%
Examination Quality - Large Business ²	Oe, L				92.0%	83.0%	86.0%	90.0%	90.0%	90.0%
Examination Coverage - Business (Assets > \$10 million)	Oe, L	5.7%	6.2%	6.2%	5.6%	4.3%	3.9%	3.8%	3.5%	3.2%
Examination Efficiency - Individual	E, L	140	139	142	142	138	148	135	122	122
Automated Underreporter Efficiency	E, L	1,924	2,007	2,041	2,025	1,935	2,209	2,032	2,036	2,006
Automated Underreporter Coverage	E, L	3.0%	3.3%	3.2%	2.8%	2.6%	2.3%	2.6%	2.2%	2.3%
Collection Coverage (Units)	Ot, L	50.1%	50.0%	48.1%	47.0%	45.9%	46.3%	43.8%	41.8%	41.1%
Collection Efficiency (Units)	E, L	1,822	1,952	1,997	2,057	2,051	2,448	2,173	2,208	2,124
Field Collection Nat'l Quality Review Score	Ot, L	80.6%	80.3%	80.4%	81.4%	81.6%	79.2%	81.6%	79.7%	79.7%
Automated Collection System Accuracy	Oe	95.9%	94.9%	94.7%	94.4%	95.2%	95.3%	94.0%	95.0%	95.0%
Criminal Investigations Completed	Ot, L	4,325	4,697	4,937	5,557	4,606	4,486	3,800	3,800	3,600
Number of Convictions	Oe, L	2,184	2,350	2,634	3,311	3,110	2,879	2,700	2,500	2,400
Conviction Rate	Oe, L	90.2%	92.7%	93.0%	93.1%	93.4%	93.2%	92.0%	92%	92%
Conviction Efficiency Rate (\$)	E, L	\$324,776	\$310,029	\$270,511	\$211,048	\$231,103	\$221,782	\$243,000	\$272,000	\$272,000
TE/GE Determination Case Closures	Ot	105,247	91,205	87,000	65,877	136,746	111,940	99,942	103,852	109,768
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level ³	E	40.0%	71.4%	50.0%	0.0%	66.7%	73.7%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level ³	E	100.0%	100.0%	90.0%	83.3%	100.0%	89.5%	90.0%	90.0%	90.0%
Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, L - Long-Term Goal										
¹ Beginning in FY 2013, targets include an increase in base user fees.										
² As a result of program changes that occurred in the Large Business and International (LB&I) organization, starting in FY 2013, a new Examination Quality - Large Business measure replaced the two previous LB&I quality measures - Examination Quality - Industry and Coordinated Industry.										
³ Starting in FY 2015, the measure includes all major investments (BSM and non-BSM).										

4.3 – IRS Performance Measure Table (Continued)

Budget Level Performance Measure Descriptions	
Customer Service Representative (CSR) Level of Service	The number of toll free callers that either speak to a Customer Service Representative or receive informational messages divided by the total number of attempted calls.
Customer Contacts Resolved per Staff Year	The number of Customer Contacts resolved in relation to staff years expended.
Customer Accuracy – Tax Law Phones	The percentage of correct answers given by a live assistant on Toll-free tax law inquiries.
Customer Accuracy – Customer Accounts (Phones)	The percentage of correct answers given by a live assistant on Toll-free account inquiries.
Timeliness of Critical Individual Filing Season Tax Products to the Public	The percentage of critical individual filing season tax products (tax forms, schedules, instructions, publications, tax packages, and certain notices required by a large number of filers to prepare a complete and accurate tax return) available to the public in a timely fashion.
Timeliness of Critical TE/GE & Business Tax Products to the Public	Percentage of critical other tax products, paper and electronic, available to the public in a timely fashion.
Percent Individual Returns Processed Electronically	The percentage of electronically filed individual tax returns divided by the total individual returns filed.
Percent Business Returns Processed Electronically	The percentage of electronically filed business tax returns divided by the total business returns filed.
Refund Timeliness – Individual (Paper)	The percentage of refunds resulting from processing Individual Master File paper returns issued within 40 days or less.
Taxpayer Self Assistance Rate	The percentage of taxpayer assistance requests resolved using self-assisted automated services.
Examination Coverage – Individual (1040)	The sum of all individual 1040 returns closed by Small Business/Self Employed (SB/SE), Wage & Investment (W&I), Tax Exempt and Government Entities (TE/GE), and Large Business and International (LB&I) (Field Exam and Correspondence Exam programs) divided by the total individual return filings for the prior calendar year.
Field Exam Nat'l Quality Review Score	The score awarded to a reviewed field examination case by a Quality Reviewer using the National Quality Review System (NQRS) quality attributes.
Office Exam Nat'l Quality Review Score	The score awarded to a reviewed office examination case by a Quality Reviewer using the NQRS quality attributes.
Examination Quality – Large Business	Average of the scores of the Large Business Return (LBR) cases reviewed by LB&I Quality Measurement System (LQMS). Case scores are based on the percentage of elements passed within each of the four auditing standard.
Examination Coverage – Business Assets >\$10 Million	The number of LB&I returns (C and S Corporations with assets over \$10 million and all partnerships) examined and closed by LB&I during the current fiscal year divided by the number of filings for the preceding calendar year.
Examination Efficiency – Individual (1040)	The sum of all individual 1040 returns closed by SB/SE, W&I, TE/GE, and LB&I (Field Exam and Correspondence Exam programs) divided by the total Full-Time Equivalent (FTE) expended in relation to those individual returns.
Automated Underreporter (AUR) Efficiency	The total number of W&I and SB/SE contact closures (a closure resulting from a case where we made contact) divided by the total FTE, including overtime.
Automated Underreporter (AUR) Coverage	A percentage representing the total number of W&I and SB/SE contact closures (a closure resulting from a case where SBSE and W&I made contact) divided by the total return filings for the prior year.
Collection Coverage – Units	The volume of collection work disposed compared to the volume of collection work available.
Collection Efficiency – Units	The volume of collection work disposed divided by total collection FTE.
Field Collection Nat'l Quality Review Score	The score awarded to a reviewed collection cases by a Quality Reviewer using the NQRS quality attributes.
Automated Collection System (ACS) Accuracy	The percent of taxpayers who receive the correct answer to their ACS question.
Criminal Investigations Completed	The total number of subject criminal investigations completed during the fiscal year, including those that resulted in prosecution recommendations to the Department of Justice as well as those discontinued due to a lack of prosecution potential.
Number of Convictions	The number of criminal convictions.
Conviction Rate	The percent of adjudicated criminal cases that result in convictions.
Conviction Efficiency Rate (\$)	The cost of Criminal Investigation's (CI) program divided by the number of convictions.
TE/GE Determination Case Closures	The number of cases closed in the Employee Plans or Exempt Organizations Determination programs, regardless of type of case or type of closing.
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned total cost and projected/actual cost within a fiscal year divided by the total number of major IT investments in that fiscal year.
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned days and projected/actual days within a fiscal year divided by the total number of major IT investments in that fiscal year.

4.4 – Alignment of the FY 2017 Initiatives to the Treasury and IRS Goals and Themes

	Treasury			IRS Goals			IRS Themes			
	Strategic Goal 3 - Objective 3.3	Strategic Goal 5 - Objective 5.4	Priority Goals	Goal #1	Goal #2	Strategic Foundation for Organizational Excellence	Theme Categories			
							Theme 1:	Theme 2:	Theme 6:	Focus Area:
FY 2017 Initiatives	Pursue tax reform, implement the Patient Protection and Affordable Care Act and Foreign Account Tax Compliance Act and improve Execution of the Tax Code	Create a Culture of Service through Relentless Pursuit of Customer Value	Introduce Self-Service and Electronic-Service Taxpayer Options	Deliver High Quality and Timely Service to Reduce Taxpayer Burden and Encourage Voluntary Compliance	Effectively Enforce the Law to Ensure Compliance with Tax Responsibilities and Combat Fraud	Invest in our Workforce and the Foundational Capabilities Necessary to Achieve our Mission and Deliver High Performance for Taxpayers and Stakeholders	Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support	Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change it	Drive More Agility, Efficiency, and Effectiveness in IRS Operations	Strengthen Cybersecurity and Eliminate Identity Theft
	ACA			✓			✓			
	Leverage New Technologies to Advance the IRS Mission		✓	✓			✓			
	Enterprise Case Management			✓	✓		✓			
	Improve Taxpayer Service	✓	✓	✓			✓			
	Enterprise Electronic Records Management Solution								✓	
	Operations and Maintenance for Deployed Business Systems Modernization (BSM) Projects		✓	✓			✓		✓	
	Maintain Integrity of Revenue Financial Systems									
	Increase Collection Coverage				✓				✓	
	Increase Audit Coverage				✓					
	Digitizing Form 990	✓			✓				✓	
	FATCA Implement, Expand Filing Coverage, and Combat Criminal Non-compliance				✓				✓	
	Pursue Employment Tax and Abusive Tax Schemes				✓				✓	
	Increase Investigations of Transnational Organized Crime (TOC)				✓				✓	
	Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	✓	✓		✓					✓

4.5 – Summary of IRS FY 2017 ACA Budget Request

Internal Revenue Service - Affordable Care Act Implementation	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2016 Enacted (before Administrative Provision 113)	\$71,793	935	\$19,984	185	\$112,840	724			\$204,617	1,844
FY 2016 Administrative Provision 113										
Improve Taxpayer Service										
Cyber Security										
Strengthening the Prevention of Identity Theft										
FY 2016 Enacted	\$71,793	935	\$19,984	185	\$112,840	724			\$204,617	1,844
Changes to Base:										
Maintaining Current Levels (MCLs):	\$1,108		\$310		\$1,719				\$3,137	
Pay Annualization	233		66		344				643	
Pay Raise	865		243		1,273				2,381	
Non-Pay	10		2		102				114	
Subtotal FY 2017 Changes to Base	\$1,108		\$310		\$1,719				\$3,137	
FY 2017 Current Services (Base)	\$72,901	935	\$20,294	185	\$114,559	724			\$207,754	1,844
Program Increases:										
Before Cap Adjustment Program Increases:										
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>										
Implement Changes to Deliver Tax Credits and Other Requirements for the Affordable Care Act										
Improve Taxpayer Service	32,021	590			153,240				153,240	
					9,399				41,420	590
Subtotal FY 2017 Before Cap Adjustment Program Increases	\$32,021	590			\$162,639				\$194,660	590
Total FY 2017 Budget Request	\$104,922	1,525	\$20,294	185	\$277,198	724			\$402,414	2,434
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	\$33,129	590	\$310		\$164,358				\$197,797	590
Percent Change FY 2017 Budget Request over FY 2016 Enacted	46.14%	63.08%	1.55%		145.66%				96.67%	32.00%

The Improve Taxpayer Service portion of the ACA budget request includes \$41.4 million (590 FTE) to handle the projected 6 million calls above normal telephone demand in FY 2017 due to the ACA.

4.6 – Summary of IRS FY 2017 Budget Request by Theme

Internal Revenue Service	Taxpayer Services		Enforcement		Operations Support		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2016 Enacted (before Administrative Provision 113)	\$2,156,554	27,886	\$4,860,000	38,840	\$3,638,446	11,753	\$290,000	440	\$10,945,000	78,919
FY 2016 Administrative Provision 113	\$176,822	2,483	\$4,936		\$108,242	170			\$290,000	2,653
Improve Taxpayer Service	176,622	2,483			1,800				178,422	2,483
Cyber Security					95,442	170			95,442	170
Strengthening the Prevention of Identity Theft	200		4,936		11,000				16,136	
FY 2016 Enacted	\$2,333,376	30,369	\$4,864,936	38,840	\$3,746,688	11,923	\$290,000	440	\$11,235,000	81,572
Changes to Base:										
Maintaining Current Levels (MCLs):	\$33,446		\$75,008		\$60,994		\$900		\$170,348	
Pay Annualization	6,440		14,952		5,392		191		26,975	
Pay Raise	23,856		55,386		19,975		709		99,926	
Non-Pay	3,150		4,670		35,627				43,447	
Efficiencies/Savings:	(\$3,708)	(72)			(\$58)				(\$3,766)	(72)
Increase e-File Savings	(3,708)	(72)			(58)				(3,766)	(72)
Subtotal FY 2017 Changes to Base	\$29,738	(72)	\$75,008		\$60,936		\$900		\$166,582	(72)
FY 2017 Current Services (Base)	\$2,363,114	30,297	\$4,939,944	38,840	\$3,807,624	11,923	\$290,900	440	\$11,401,582	81,500
Program Increases:										
Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support	33,503	604	7,369		169,763		52,515		263,150	664
Drive More Agility, Efficiency, and Effectiveness in IRS Operations					120,955				120,955	146
Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It			218,975	2	180,394				399,369	2,002
Focus Area: Strengthen Cybersecurity and Eliminate Identity Theft	9,701	154	44,975		35,363				90,039	491
Alcohol and Tobacco Tax and Trade Bureau Transfer:			5,000						5,000	
Subtotal FY 2017 Total Program Increases	\$43,204	758	\$276,319	2,188	\$506,475	328	\$52,515	29	\$878,513	3,303
Total FY 2017 Total Budget Request	\$2,406,318	31,055	\$5,216,263	41,028	\$4,314,099	12,251	\$343,415	469	\$12,280,095	84,803

4.7 – Summary of IRS FY 2017 Program Integrity Cap Adjustment

	Taxpayer Services		Enforcement		Operations Support		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
Internal Revenue Service										
FY 2016 Enacted (before Administrative Provision 113)	\$2,156,554	27,887	\$4,860,000	38,840	\$3,638,446	11,752	\$290,000	440	\$10,945,000	78,919
FY 2016 Administrative Provision 113	\$176,822	2,483	\$4,936		\$108,242	170			\$290,000	2,653
Improve Taxpayer Service	176,822	2,483			1,800				178,422	2,483
Cyber Security					95,442	170			95,442	170
Strengthening the Prevention of Identity Theft	200		4,936		11,000				16,136	
FY 2016 Enacted	\$2,333,376	30,370	\$4,864,936	38,840	\$3,746,688	11,922	\$290,000	440	\$11,235,000	81,572
Changes to Base:										
Maintaining Current Levels (MCLs):	\$33,446		\$75,008		\$60,994		\$900		\$170,348	
Pay Annualization	6,440		14,952		5,392		191		26,975	
Pay Raise	23,856		55,386		19,975		709		99,926	
Non-Pay	3,150		4,670		35,627				43,447	
Efficiencies/Savings:	(\$3,708)	(72)			(\$58)				(\$3,766)	(72)
Increase e-File Savings	(3,708)	(72)			(58)				(3,766)	(72)
Subtotal FY 2017 Changes to Base	\$29,738	(72)	\$75,008		\$60,936		\$900		\$166,582	(72)
FY 2017 Current Services (Base)	\$2,363,114	30,298	\$4,939,944	38,840	\$3,807,624	11,922	\$290,900	440	\$11,401,582	81,500
Program Increases:										
Budget Request Program Increases:										
Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support										
Implement Changes to Deliver Tax Credits and Other Requirements for the Affordable Care Act					153,240				153,240	
Leverage New Technologies to Advance the IRS Mission					973		52,515	29	53,488	29
Improve Taxpayer Service	33,503	604			14,952	9			48,455	613
Subtotal	\$33,503	604			\$169,165	9	\$52,515	29	\$255,183	642
Drive More Agility, Efficiency, and Effectiveness in IRS Operations										
Enterprise Electronic Records Management Solution					18,543	46			18,543	46
Subtotal					\$18,543	46			\$18,543	46
Focus Area: Strengthen Cybersecurity and Eliminate Identity Theft										
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	9,701	154	44,975	301	35,363	36			90,039	491
Subtotal	\$9,701	154	\$44,975	301	\$35,363	36			\$90,039	491
Subtotal FY 2017 Budget Request Program Increases	\$43,204	758	\$44,975	301	\$223,071	91	\$52,515	29	\$363,765	1,179
Total FY 2017 Total Budget Request	\$2,406,318	31,056	\$4,984,919	39,141	\$4,030,695	12,013	\$343,415	469	\$11,765,347	82,679
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	\$2,942	686	\$119,983	301	\$284,007	91	\$53,415	29	\$530,347	1,107
Percent Change FY 2017 Budget Request over FY 2016 Enacted	3.13%	2.26%	2.47%	0.78%	7.58%	0.76%	18.42%	6.64%	4.72%	1.36%
Cap Adjustment Program Increases:										
Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support										
Enterprise Case Management			7,369	22	598				7,967	22
Subtotal			\$7,369	22	\$598				\$7,967	22
Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It										
Increase Collection Coverage			58,213	678	32,254	21			90,467	699
Increase Audit Coverage			74,161	816	54,274	40			128,435	856
Digitizing Form 990			80	1	2,298	6			2,378	7
Subtotal			\$128,454	1,495	\$88,826	67			\$217,287	1,562
Drive More Agility, Efficiency, and Effectiveness in IRS Operations										
Implement, Expand Filing Coverage, and Combat Criminal Non-compliance			49,889	203	76,850	70			126,739	273
Pursue Employment Tax and Abusive Tax Schemes			7,210	37	8,576				15,786	37
Increase Investigations of Transnational Organized Crime (TOC)			29,422	130	6,142				35,564	130
Subtotal			\$86,521	370	\$91,568	137			\$158,089	440
Drive More Agility, Efficiency, and Effectiveness in IRS Operations										
Operations and Maintenance for Deployed Business Systems Modernization (BSM) Projects					92,174	73			92,174	73
Maintain Integrity of Revenue Financial Systems					10,238	27			10,238	27
Subtotal					\$102,412	100			\$102,412	100
Alcohol and Tobacco Tax and Trade Bureau Transfer:										
Transfer to TTB for High-Risk on Investment (ROI) Tax Enforcement Activities			5,000						5,000	
Subtotal			\$5,000						\$5,000	
Subtotal FY 2017 Cap Adjustment Program Increases	\$43,204	758	\$231,344	1,887	\$283,404	237			\$514,748	2,124
Subtotal FY 2017 Total Program Increases Including Cap Adjustment	\$86,408	1,516	\$276,319	2,188	\$506,475	328	\$52,515	29	\$878,513	3,303
Total FY 2017 Total Budget Request Including Cap Adjustment	\$2,406,318	31,056	\$5,261,263	41,028	\$4,314,999	12,250	\$343,415	469	\$12,280,095	84,893
Dollar/FTE Change FY 2017 Budget Request including PC over FY 2016 Enacted	\$2,942	686	\$351,327	2188	\$567,411	328	\$53,415	29	\$1,045,095	3,231
Percent Change FY 2017 Budget Request including PC over FY 2016 Enacted	3.13%	2.26%	7.22%	5.63%	15.14%	2.75%	18.42%	6.64%	9.30%	3.96%

Return on Investment for IRS Major Enforcement Programs

Dollars in Millions															
Enforcement Program	FY 2011			FY 2012			FY 2013			FY 2014			FY 2015		
	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI
IRS Total	\$6,543	\$55,229	8.4	\$6,242	\$50,187	8.0	\$5,883	\$53,345	9.1	\$5,839	\$57,146	9.8	\$5,644	\$54,203	9.6
Examination	4,333	18,924	4.4	4,232	14,476	3.4	3,965	16,662	4.2	3,965	18,983	4.8	3,974	13,320	3.4
Collection	1,939	31,060	16.0	1,742	30,442	17.5	1,660	31,396	18.9	1,618	33,198	20.5	1,419	35,740	25.2
Automated Underreporter (AUR)	270	5,245	19.4	267	5,269	19.7	258	5,287	20.5	256	4,965	19.4	251	5,143	20.5

¹The cost of the enforcement programs was calculated using budget data from the IRS Integrated Financial System (IFS) and includes direct dollars and FTE from the Enforcement appropriation, Exam and Collections budget activity, and dollars from the Operations Support appropriation prorated using actual FTE realized for each major enforcement program.

4.3 – IRS Performance Measure Table

IRS Performance Measures										
Performance Measures	Type of Measure	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2015 Target	FY2016 Target	FY2017 Target
Customer Service Representative Level of Service (LOS) ¹	Oe, L	74.0%	70.1%	67.6%	60.5%	64.4%	38.1%	38.0%	47.0%	70.0%
Customer Contacts Resolved per Staff Year	E	10,744	12,419	16,320	20,767	21,018	26,245	21,000	28,000	25,700
Customer Accuracy - Tax Law (Phones)	Ot	92.7%	93.4%	93.2%	95.7%	95.0%	95.0%	92.0%	92.0%	92.0%
Customer Accuracy - Accounts (Phones)	Ot	95.7%	96.0%	95.6%	96.0%	96.2%	95.5%	94.0%	94.0%	94.0%
Timeliness of Critical Filing Season Tax Products to the Public	Ot	95.3%	96.3%	97.2%	58.9%	99.1%	89.0%	95.0%	87.0%	87.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public	Ot	97.7%	96.4%	94.5%	83.6%	98.7%	92.6%	95.0%	87.0%	87.0%
Percent Individual Returns Processed Electronically	Oe, L	69.3%	76.9%	80.5%	82.5%	84.1%	85.3%	84.6%	86.0%	86.0%
Percent of Business Returns Processed Electronically	Oe, L	25.5%	31.8%	36.7%	40.2%	43.1%	47.0%	46.5%	48.0%	48.0%
Refund Timeliness - Individual (Paper)	Ot	96.1%	99.4%	99.7%	99.0%	98.7%	98.8%	94.0%	97.0%	97.0%
Taxpayer Self-Assistance Rate	E, L	64.4%	70.1%	78.5%	83.3%	84.7%	88.7%	85.0%	90.0%	89.0%
Examination Coverage - Individual	Oe, L	1.1%	1.1%	1.0%	1.0%	0.9%	0.8%	0.8%	0.6%	0.7%
Field Exam Nat'l Quality Review Score	Oe, L	84.9%	85.8%	87.4%	89.2%	88.4%	86.7%	89.6%	86.7%	86.7%
Office Exam Nat'l Quality Review Score	Oe, L	91.6%	90.4%	91.3%	90.3%	90.6%	88.3%	90.2%	88.3%	88.3%
Examination Quality - Large Business ²	Oe, L				92.0%	83.0%	86.0%	90.0%	90.0%	90.0%
Examination Coverage - Business (Assets > \$10 million)	Oe, L	5.7%	6.2%	6.2%	5.6%	4.3%	3.9%	3.8%	3.5%	3.2%
Examination Efficiency - Individual	E, L	140	139	142	142	138	148	135	122	122
Automated Underreporter Efficiency	E, L	1,924	2,007	2,041	2,025	1,935	2,209	2,032	2,036	2,006
Automated Underreporter Coverage	E, L	3.0%	3.3%	3.2%	2.8%	2.6%	2.3%	2.6%	2.2%	2.3%
Collection Coverage (Units)	Ot, L	50.1%	50.0%	48.1%	47.0%	45.9%	46.3%	43.8%	41.8%	41.1%
Collection Efficiency (Units)	E, L	1,822	1,952	1,997	2,057	2,051	2,448	2,173	2,208	2,124
Field Collection Nat'l Quality Review Score	Ot, L	80.6%	80.3%	80.4%	81.4%	81.6%	79.2%	81.6%	79.7%	79.7%
Automated Collection System Accuracy	Oe	95.9%	94.9%	94.7%	94.4%	95.2%	95.3%	94.0%	95.0%	95.0%
Criminal Investigations Completed	Ot, L	4,325	4,697	4,937	5,557	4,606	4,486	3,800	3,800	3,600
Number of Convictions	Oe, L	2,184	2,350	2,634	3,311	3,110	2,879	2,700	2,500	2,400
Conviction Rate	Oe, L	90.2%	92.7%	93.0%	93.1%	93.4%	93.2%	92.0%	92%	92%
Conviction Efficiency Rate (\$)	E, L	\$324,776	\$310,029	\$270,511	\$211,048	\$231,103	\$221,782	\$243,000	\$272,000	\$272,000
TE/GE Determination Case Closures	Ot	105,247	91,205	87,000	65,877	136,746	111,940	99,942	103,852	109,768
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level ³	E	40.0%	71.4%	50.0%	0.0%	66.7%	73.7%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level ³	E	100.0%	100.0%	90.0%	83.3%	100.0%	89.5%	90.0%	90.0%	90.0%
Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, L - Long-Term Goal										
¹ Beginning in FY 2013, targets include an increase in base user fees.										
² As a result of program changes that occurred in the Large Business and International (LB&I) organization, starting in FY 2013, a new Examination Quality - Large Business measure replaced the two previous LB&I quality measures - Examination Quality - Industry and Coordinated Industry.										
³ Starting in FY 2015, the measure includes all major investments (BSM and non-BSM).										

4.3 – IRS Performance Measure Table (Continued)

Budget Level Performance Measure Descriptions	
Customer Service Representative (CSR) Level of Service	The number of toll free callers that either speak to a Customer Service Representative or receive informational messages divided by the total number of attempted calls.
Customer Contacts Resolved per Staff Year	The number of Customer Contacts resolved in relation to staff years expended.
Customer Accuracy – Tax Law Phones	The percentage of correct answers given by a live assistant on Toll-free tax law inquiries.
Customer Accuracy – Customer Accounts (Phones)	The percentage of correct answers given by a live assistant on Toll-free account inquiries.
Timeliness of Critical Individual Filing Season Tax Products to the Public	The percentage of critical individual filing season tax products (tax forms, schedules, instructions, publications, tax packages, and certain notices required by a large number of filers to prepare a complete and accurate tax return) available to the public in a timely fashion.
Timeliness of Critical TE/GE & Business Tax Products to the Public	Percentage of critical other tax products, paper and electronic, available to the public in a timely fashion.
Percent Individual Returns Processed Electronically	The percentage of electronically filed individual tax returns divided by the total individual returns filed.
Percent Business Returns Processed Electronically	The percentage of electronically filed business tax returns divided by the total business returns filed.
Refund Timeliness – Individual (Paper)	The percentage of refunds resulting from processing Individual Master File paper returns issued within 40 days or less.
Taxpayer Self Assistance Rate	The percentage of taxpayer assistance requests resolved using self-assisted automated services.
Examination Coverage – Individual (1040)	The sum of all individual 1040 returns closed by Small Business/Self Employed (SB/SE), Wage & Investment (W&I), Tax Exempt and Government Entities (TE/GE), and Large Business and International (LB&I) (Field Exam and Correspondence Exam programs) divided by the total individual return filings for the prior calendar year.
Field Exam Nat'l Quality Review Score	The score awarded to a reviewed field examination case by a Quality Reviewer using the National Quality Review System (NQRS) quality attributes.
Office Exam Nat'l Quality Review Score	The score awarded to a reviewed office examination case by a Quality Reviewer using the NQRS quality attributes.
Examination Quality – Large Business	Average of the scores of the Large Business Return (LBR) cases reviewed by LB&I Quality Measurement System (LQMS). Case scores are based on the percentage of elements passed within each of the four auditing standard.
Examination Coverage – Business Assets >\$10 Million	The number of LB&I returns (C and S Corporations with assets over \$10 million and all partnerships) examined and closed by LB&I during the current fiscal year divided by the number of filings for the preceding calendar year.
Examination Efficiency – Individual (1040)	The sum of all individual 1040 returns closed by SB/SE, W&I, TE/GE, and LB&I (Field Exam and Correspondence Exam programs) divided by the total Full-Time Equivalent (FTE) expended in relation to those individual returns.
Automated Underreporter (AUR) Efficiency	The total number of W&I and SB/SE contact closures (a closure resulting from a case where we made contact) divided by the total FTE, including overtime.
Automated Underreporter (AUR) Coverage	A percentage representing the total number of W&I and SB/SE contact closures (a closure resulting from a case where SBSE and W&I made contact) divided by the total return filings for the prior year.
Collection Coverage – Units	The volume of collection work disposed compared to the volume of collection work available.
Collection Efficiency – Units	The volume of collection work disposed divided by total collection FTE.
Field Collection Nat'l Quality Review Score	The score awarded to a reviewed collection cases by a Quality Reviewer using the NQRS quality attributes.
Automated Collection System (ACS) Accuracy	The percent of taxpayers who receive the correct answer to their ACS question.
Criminal Investigations Completed	The total number of subject criminal investigations completed during the fiscal year, including those that resulted in prosecution recommendations to the Department of Justice as well as those discontinued due to a lack of prosecution potential.
Number of Convictions	The number of criminal convictions.
Conviction Rate	The percent of adjudicated criminal cases that result in convictions.
Conviction Efficiency Rate (\$)	The cost of Criminal Investigation's (CI) program divided by the number of convictions.
TE/GE Determination Case Closures	The number of cases closed in the Employee Plans or Exempt Organizations Determination programs, regardless of type of case or type of closing.
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned total cost and projected/actual cost within a fiscal year divided by the total number of major IT investments in that fiscal year.
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned days and projected/actual days within a fiscal year divided by the total number of major IT investments in that fiscal year.

4.4 – Alignment of the FY 2017 Initiatives to the Treasury and IRS Goals and Themes

	Treasury			IRS Goals			IRS Themes			
	Strategic Goal 3 - Objective 3.3	Strategic Goal 5 - Objective 5.4	Priority Goals	Goal #1	Goal #2	Strategic Foundation for Organizational Excellence	Theme Categories			Strategic Focus
							Theme 1:	Theme 2:	Theme 6:	
FY 2017 Initiatives	Pursue tax reform, implement the Patient Protection and Affordable Care Act and Foreign Account Tax Compliance Act and improve Execution of the Tax Code	Create a Culture of Service through Relentless Pursuit of Customer Value	Introduce Self-Service and Electronic-Service Taxpayer Options	Deliver High Quality and Timely Service to Reduce Taxpayer Burden and Encourage Voluntary Compliance	Effectively Enforce the Law to Ensure Compliance with Tax Responsibilities and Combat Fraud	Invest in our Workforce and the Foundational Capabilities Necessary to Achieve our Mission and Deliver High Performance for Taxpayers and Stakeholders	Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support	Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change it	Drive More Agility, Efficiency, and Effectiveness in IRS Operations	Focus Area: Strengthen Cybersecurity and Eliminate Identity Theft
	ACA			✓			✓			
	Leverage New Technologies to Advance the IRS Mission		✓	✓			✓			
	Enterprise Case Management			✓	✓		✓			
	Improve Taxpayer Service	✓	✓	✓			✓			
	Enterprise Electronic Records Management Solution								✓	
	Operations and Maintenance for Deployed Business Systems Modernization (BSM) Projects		✓	✓			✓		✓	
	Maintain Integrity of Revenue Financial Systems									
	Increase Collection Coverage				✓				✓	
	Increase Audit Coverage				✓					
	Digitizing Form 990	✓			✓				✓	
	FATCA Implement, Expand Filing Coverage, and Combat Criminal Non-compliance				✓				✓	
	Pursue Employment Tax and Abusive Tax Schemes				✓				✓	
	Increase Investigations of Transnational Organized Crime (TOC)				✓				✓	
	Prevent Identity Theft and Refund Fraud and Reduce Improper Payments	✓	✓		✓					✓

4.5 – Summary of IRS FY 2017 ACA Budget Request

Internal Revenue Service - Affordable Care Act Implementation	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2016 Enacted (before Administrative Provision 113)	\$71,793	935	\$19,984	185	\$112,840	724			\$204,617	1,844
FY 2016 Administrative Provision 113										
Improve Taxpayer Service										
Cyber Security										
Strengthening the Prevention of Identity Theft										
FY 2016 Enacted	\$71,793	935	\$19,984	185	\$112,840	724			\$204,617	1,844
Changes to Base:										
Maintaining Current Levels (MCLs):	\$1,108		\$310		\$1,719				\$3,137	
Pay Annualization	233		66		344				643	
Pay Raise	865		243		1,273				2,381	
Non-Pay	10		2		102				114	
Subtotal FY 2017 Changes to Base	\$1,108		\$310		\$1,719				\$3,137	
FY 2017 Current Services (Base)	\$72,901	935	\$20,294	185	\$114,559	724			\$207,754	1,844
Program Increases:										
Before Cap Adjustment Program Increases:										
<i>Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support</i>										
Implement Changes to Deliver Tax Credits and Other Requirements for the Affordable Care Act					153,240				153,240	
Improve Taxpayer Service	32,021	590			9,399				41,420	590
Subtotal FY 2017 Before Cap Adjustment Program Increases	\$32,021	590			\$162,639				\$194,660	590
Total FY 2017 Budget Request	\$104,922	1,525	\$20,294	185	\$277,198	724			\$402,414	2,434
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	\$33,129	590	\$310		\$164,358				\$197,797	590
Percent Change FY 2017 Budget Request over FY 2016 Enacted	46.14%	63.08%	1.55%		145.66%				96.67%	32.00%

The Improve Taxpayer Service portion of the ACA budget request includes \$41.4 million (590 FTE) to handle the projected 6 million calls above normal telephone demand in FY 2017 due to the ACA.

4.6 – Summary of IRS FY 2017 Budget Request by Theme

Internal Revenue Service	Taxpayer Services		Enforcement		Operations Support		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2016 Enacted (before Administrative Provision 113)	\$2,156,554	27,886	\$4,860,000	38,840	\$3,638,446	11,753	\$290,000	440	\$10,945,000	78,919
FY 2016 Administrative Provision 113	\$176,822	2,483	\$4,936		\$108,242	170			\$290,000	2,653
Improve Taxpayer Service	176,622	2,483			1,800				178,422	2,483
Cyber Security					95,442	170			95,442	170
Strengthening the Prevention of Identity Theft	200		4,936		11,000				16,136	
FY 2016 Enacted	\$2,333,376	30,369	\$4,864,936	38,840	\$3,746,688	11,923	\$290,000	440	\$11,235,000	81,572
Changes to Base:										
Maintaining Current Levels (MCLs):	\$33,446		\$75,008		\$60,994		\$900		\$170,348	
Pay Annualization	6,440		14,952		5,392		191		26,975	
Pay Raise	23,856		55,386		19,975		709		99,926	
Non-Pay	3,150		4,670		35,627				43,447	
Efficiencies/Savings:	(\$3,708)	(72)			(\$58)				(\$3,766)	(72)
Increase e-File Savings	(3,708)	(72)			(58)				(3,766)	(72)
Subtotal FY 2017 Changes to Base	\$29,738	(72)	\$75,008		\$60,936		\$900		\$166,582	(72)
FY 2017 Current Services (Base)	\$2,363,114	30,297	\$4,939,944	38,840	\$3,807,624	11,923	\$290,900	440	\$11,401,582	81,500
Program Increases:										
Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support	33,503	604	7,369		169,763		52,515		263,150	664
Drive More Agility, Efficiency, and Effectiveness in IRS Operations					120,955				120,955	146
Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It			218,975	2	180,394				399,369	2,002
Focus Area: Strengthen Cybersecurity and Eliminate Identity Theft	9,701	154	44,975		35,363				90,039	491
Alcohol and Tobacco Tax and Trade Bureau Transfer:			5,000						5,000	
Subtotal FY 2017 Total Program Increases	\$43,204	758	\$276,319	2,188	\$506,475	328	\$52,515	29	\$878,513	3,303
Total FY 2017 Total Budget Request	\$2,406,318	31,055	\$5,216,263	41,028	\$4,314,099	12,251	\$343,415	469	\$12,280,095	84,803

4.7 – Summary of IRS FY 2017 Program Integrity Cap Adjustment

	Taxpayer Services		Enforcement		Operations Support		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
Internal Revenue Service										
FY 2016 Enacted (before Administrative Provision 113)	\$2,156,554	27,887	\$4,860,000	38,840	\$3,638,446	11,752	\$290,000	440	\$10,945,000	78,919
FY 2016 Administrative Provision 113	\$176,822	2,483	\$4,936		\$108,242	170	\$290,000		\$290,000	2,653
Improve Taxpayer Service	176,822	2,483			1,800				178,422	2,483
Cyber Security					95,442	170			95,442	170
Strengthening the Prevention of Identity Theft	200		4,936		11,000				16,136	
FY 2016 Enacted	\$2,333,376	30,370	\$4,864,936	38,840	\$3,746,688	11,922	\$290,000	440	\$11,235,000	81,572
Changes to Base:										
Maintaining Current Levels (MCLs):	\$33,446		\$75,008		\$60,994		\$900		\$170,348	
Pay Annualization	6,440		14,952		5,392		191		26,975	
Pay Raise	23,856		55,386		19,975		709		99,926	
Non-Pay	3,150		4,670		35,627				43,447	
Efficiencies/Savings:	(\$3,708)	(72)			(\$58)				(3,766)	(72)
Increase e-File Savings	(3,708)	(72)			(58)				(3,766)	(72)
Subtotal FY 2017 Changes to Base	\$29,738	(72)	\$75,008		\$60,936		\$900		\$166,582	(72)
FY 2017 Current Services (Base)	\$2,363,114	30,298	\$4,939,944	38,840	\$3,807,624	11,922	\$290,900	440	\$11,401,582	81,500
Program Increases:										
Budget Request Program Increases:										
Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support										
Implement Changes to Deliver Tax Credits and Other Requirements for the Affordable Care Act										
Leverage New Technologies to Advance the IRS Mission										
Improve Taxpayer Service	33,503	604			14,952	9	52,515	29	53,488	29
Subtotal	\$33,503	604			\$169,165	9	\$52,515	29	\$255,183	642
Drive More Agility, Efficiency, and Effectiveness in IRS Operations										
Enterprise Electronic Records Management Solution										
Subtotal					\$18,543	46			\$18,543	46
Focus Area: Strengthen Cybersecurity and Eliminate Identity Theft										
Prevent Identity Theft and Refund Fraud and Reduce Improper Payments										
	9,701	154	44,975	301	35,363	36			90,039	491
Subtotal	\$9,701	154	\$44,975	301	\$35,363	36			\$90,039	491
Subtotal FY 2017 Budget Request Program Increases	\$43,204	758	\$44,975	301	\$223,071	91	\$52,515	29	\$363,765	1,179
Total FY 2017 Total Budget Request	\$2,406,318	31,056	\$4,984,919	39,141	\$4,030,695	12,013	\$343,415	469	\$11,765,347	82,679
Dollar/FTE Change FY 2017 Budget Request over FY 2016 Enacted	\$22,942	686	\$119,983	301	\$284,007	91	\$53,415	29	\$530,347	1,107
Percent Change FY 2017 Budget Request over FY 2016 Enacted	3.13%	2.26%	2.47%	0.78%	7.58%	0.76%	18.42%	6.64%	4.72%	1.36%
Cap Adjustment Program Increases:										
Facilitate Voluntary Compliance by Empowering Taxpayers with Secure Innovative Tools and Support										
Enterprise Case Management			7,369	22	598				7,967	22
Subtotal			\$7,369	22	\$598				\$7,967	22
Understand Non-Compliant Taxpayer Behavior and Develop Approaches to Deter and Change It										
Increase Collection Coverage			58,213	678	32,254	21			90,467	699
Increase Audit Coverage			74,161	816	54,274	40			128,435	856
Digitizing Form 990			80	1	2,298	6			2,378	7
Subtotal			\$132,454	1,495	\$88,830	67			\$220,863	1,562
FATCA: Implement, Expand Filing Coverage, and Combat Criminal Non-compliance			49,889	203	76,850	70			126,739	273
Pursue Employment Tax and Abusive Tax Schemes			7,210	37	8,576				15,786	37
Increase Investigations of Transnational Organized Crime (TOC)			29,422	130	6,142				35,564	130
Subtotal			\$86,521	370	\$91,568	137			\$158,089	440
Drive More Agility, Efficiency, and Effectiveness in IRS Operations										
Operations and Maintenance for Deployed Business Systems Modernization (BSM) Projects										
Maintain Integrity of Revenue Financial Systems										
Subtotal					\$102,412	100			\$102,412	100
Alcohol and Tobacco Tax and Trade Bureau Transfer:										
Transfer to TTB for High-Risk Return on Investment (ROI) Tax Enforcement Activities			5,000						5,000	
Subtotal			\$5,000						\$5,000	
Subtotal FY 2017 Cap Adjustment Program Increases	\$43,204	758	\$231,344	1,887	\$283,404	237			\$514,748	2,124
Subtotal FY 2017 Total Program Increases Including Cap Adjustment	\$86,808	1,516	\$476,319	2,188	\$506,475	328	\$52,515	29	\$878,513	3,303
Total FY 2017 Total Budget Request Including Cap Adjustment	\$2,406,318	31,056	\$5,216,263	41,028	\$4,314,999	12,250	\$343,415	469	\$12,280,095	84,893
Dollar/FTE Change FY 2017 Budget Request including PC over FY 2016 Enacted	\$22,942	686	\$351,327	2188	\$567,411	328	\$53,415	29	\$1,045,095	3,231
Percent Change FY 2017 Budget Request including PC over FY 2016 Enacted	3.13%	2.26%	7.22%	5.63%	15.14%	2.75%	18.42%	6.64%	9.30%	3.96%

Departmental Offices - S & E

FY 2017

President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

Maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad; strengthen national security by combating threats and protecting the integrity of the financial system; and manage the U.S. Government's finances and resources effectively.

1.1 – Appropriations Detail Table

Dollars in Thousands

Departmental Offices - S & E		FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
Appropriated Resources		Enacted		Enacted		Request 2/		\$ Change		% Change	
		FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:											
DO S&E											
Executive Direction		147	36,002	157	37,943	156	38,240	(1)	297	-0.64%	0.78%
International Affairs and Economic Policy		228	56,266	239	58,520	239	59,467	0	947	0.00%	1.62%
Domestic Finance and Tax Policy		266	78,589	327	84,591	311	76,304	(16)	(8,287)	-4.89%	-9.80%
Treasury-wide Management and Programs		140	39,143	149	41,446	143	43,365	(6)	1,919	-4.03%	4.63%
Terrorism and Financial Intelligence		0	0	0	0	441	117,000	441	117,000	0.00%	0.00%
TFI											
Terrorism and Financial Intelligence 1/		377	112,500	377	117,000	0	0	(377)	(117,000)	-100.00%	-100.00%
Subtotal New Appropriated Resources		1,158	\$322,500	1,249	\$339,500	1,290	\$334,376	41	(\$5,124)	3.28%	-1.51%
Other Resources:											
DO S&E Reimbursables 1/		184	130,032	197	123,026	166	102,892	(31)	(20,134)	-15.74%	-16.37%
TFI Reimbursables		39	18,442	29	6,966	0	0	(29)	(6,966)	-100.00%	-100.00%
Subtotal Other Resources		223	\$148,474	226	\$129,992	166	\$102,892	(60)	(\$27,100)	-26.55%	-20.85%
Total Budgetary Resources 3/		1,381	\$470,974	1,475	\$469,492	1,456	\$437,268	(19)	(\$32,224)	-1.29%	-6.86%

1/ In FY 2016, the Office of Terrorism and Financial Intelligence (TFI) was funded through a separate appropriation of \$117.0 million, which includes \$27.1 million for administrative support.

2/ The FY 2017 Budget maintains TFI at \$117.0 million and includes TFI activities in the DO S&E appropriation, where it has been each year except FY 2015 and FY 2016.

3/ The Budget also proposes to transfer \$7.0 million from the Gulf Coast Restoration Trust Fund for DO's administration and oversight responsibilities for this program. This funding is not included above.

1B – Vision, Priorities and Context

Departmental Offices (DO) is the headquarters bureau for the Department of the Treasury. It provides leadership in economic and financial policy, financial intelligence and enforcement, and general management. Treasury utilizes effective management, policies, and leadership to protect our national security through targeted financial actions, to promote the stability of the nation's financial markets, and to ensure the Government's ability to collect revenue and fund its operations.

FY 2015 Key Accomplishments, FY 2016, and FY 2017 Priorities:

The Department's strategic plan guides program and budget decisions for DO. The FY 2017 Budget request supports DO's leading role in accomplishing the Treasury strategic goals and related strategic objectives:

- Promote domestic economic growth and stability while continuing to reform the financial

system;

- Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth;
- Fairly and effectively reform and modernize federal financial management, accounting, and tax systems;
- Safeguard the financial system and use financial measures to counter national security threats; and
- Create a 21st-century approach to government by improving efficiency, effectiveness and customer interaction.

The budget enhances the overall investment in the Department's cybersecurity portfolio to strengthen defenses and preparations within the Department and throughout the U.S. financial services sector. These investments will safeguard DO's critical infrastructure and increase the scope and breadth of cybersecurity exercises, information sharing, and protections in the financial services sector. Treasury's work will better prepare the sector to respond rapidly and effectively to threats and attacks.

The budget also continues the significant investments made in the Terrorism and Financial Intelligence portfolio, specifically in its intelligence analysis and sanctions support portfolios. Investments are also included for the Corporate Bond Yield Curve within Economic Policy and, within Tax Policy, increasing the investment in the rationalization of the tax code.

In addition, the Office of Risk Management (ORM) is establishing a center of excellence in risk management at Treasury. ORM will continue Risk Committee meetings, work with program offices to more fully develop enterprise risk reporting, and continue to meet its mission to advise senior executives and their teams on policies and programs relating to the risk management of credit, market, liquidity, and operational risk within Treasury and throughout the federal government.

The offices' FY 2015 program accomplishments and priorities for FY 2016 and FY 2017 are described below:

Office of International Affairs

The Office of International Affairs (IA) made notable progress promoting free trade and open markets through its work on the Trans-Pacific Partnership (TPP) agreement, the Transatlantic Trade and Investment Partnership, and the broader U.S. trade agenda. IA successfully leveraged multilateral mechanisms to advance U.S. policy priorities. Its key successes included:

- Enhancing global economic growth prospects by securing commitments from G-20 countries at the Brisbane Leaders' Summit to boost near-term demand through comprehensive growth strategies and to establish the Global Infrastructure Hub to increase global investment;
- Defining the policy framework for development finance for the next 15 years by successfully negotiating the adoption of the Addis Ababa Action Agenda at the Third International Conference on Financing for Development;
- Advancing U.S. strategic goals by supporting Ukraine's International Monetary Fund program; and

- Protecting global economic and financial stability by securing new commitments to reform China's economy and growth model at the most recent U.S.-China Strategic and Economic Dialogue.
- Completing the recent Paris Agreement that lays out a framework through which nearly all countries in the world will announce and implement voluntary plans to reduce anthropogenic greenhouse gas emissions.

In FY 2016 and FY 2017, IA will continue efforts in key areas, including:

- Pressing China further to continue financial reform, increase exchange rate flexibility, and move rapidly toward a more market-oriented exchange rate system;
- Completing the TPP and advancing other U.S. trade priorities; and
- Continuing internal management improvement efforts, including expanding the analytical capabilities of the Committee on Foreign Investment in the United States.

Office of Economic Policy

During FY 2015, Economic Policy staff provided substantial support to the Secretary on a wide variety of economic and fiscal issues. In FY 2016, Economic Policy will continue to engage in policy-relevant research, examples of which can be found in two public reports the Office has authored or co-authored:

- Occupational Licensing: A Framework for Policymakers
- Expanding the Market for Infrastructure: Public-Private Partnerships

The FY 2016 and FY 2017 priorities include continued support of senior Administration officials on matters related to economic policy and ensuring a smooth transition in economic policymaking with the new Administration. Economic Policy will continue to produce the corporate bond yield curve, as required by the Pension Protection Act of 2006, as well as the Treasury Constant Maturity and the Treasury Inflation Protected Securities (TIPS) yield curves, which are used by several federal agencies to evaluate future pension liabilities and military disability payments. Work is also underway to extend the TIPS yield curve history back 25 years to provide researchers and policy makers with a richer dataset that can be used for a wide variety of applications beyond pension valuation.

Office of Domestic Finance

The Office of Domestic Finance (DF) works to preserve confidence in the U.S. Treasury market by effectively managing federal fiscal operations, to strengthen financial institutions and markets, to promote access to credit, and to improve financial access and education. All of these efforts are contributing to America's long-term economic strength and stability.

During FY 2015, DF accomplished a great deal, including the following:

- DF's Office of Critical Infrastructure Protection and Compliance Policy (OCIP) further expanded its efforts with the financial services sector to strengthen information sharing and the adoption of best practices against cybersecurity threats. For example, OCIP is implementing protocols to automate information sharing, which will allow companies to more quickly share and receive technical cybersecurity data. OCIP also worked with other federal agencies and financial institutions to hold several large-scale cybersecurity tabletop

exercises, which included a focus on information sharing during the response to and recovery from cybersecurity incidents.

- The Office of the Fiscal Assistant Secretary made progress on several key initiatives, including:
 - Launching the *myRA* (“my Retirement Account”) program, a Presidential initiative offering a new retirement savings account for Americans seeking a simple, safe, and affordable way to start saving for their retirement;
 - Leading the government-wide implementation of the Digital Accountability and Transparency Act (DATA Act), which aims to make information on federal spending easier to access and understand and was selected as one of Treasury’s FY 2016-2017 Agency Priority Goals (APGs);
 - Providing guidance and training to eligible Gulf Coast states, counties, and parishes, and awarding and managing grants that support efforts to restore and protect the ecosystem and economy of the Gulf Coast region affected by the 2010 Deepwater Horizon oil spill, and;
 - Providing awards of cash assistance in lieu of tax credits for eligible renewable energy projects—achieving the milestone of 100,000 funded applications since 2009.
- The Office of Consumer Policy (OCP) supported the work of the President’s Advisory Council on Financial Capability for Young Americans and led the work of the interagency Financial Literacy and Education Commission. OCP supported the Commission’s release of a report, *Opportunities to Improve the Financial Well-being of Postsecondary Students*, and other resources for consumers and financial education practitioners. Additionally, OCP advised the Secretary and the Administration about marketplace lending, consumer protection, emerging payments, and smart disclosures.
- DF’s Office of Debt Management directed the Bureau of the Fiscal Service to conduct 269 auctions from October 1, 2014, through September 30, 2015, issuing approximately \$6.94 trillion in marketable securities and raising approximately \$558 billion in new cash to fund the U.S. government’s operations.
- DF’s Federal Insurance Office (FIO) represents the United States on prudential aspects of international insurance matters and in various fora around the world. FIO monitors all aspects of the insurance industry, including its regulation, and its Director serves on the Financial Stability Oversight Council. FIO continues to be an active participant in international bodies such as the International Association of Insurance Supervisors and the Financial Stability Board.
- DF’s Office of State and Local Finance (OSLF) continues to improve coordination of Treasury’s programs and policies that affect states and cities. OSLF advises the Under Secretary and Secretary about the development of policy pertaining to infrastructure finance, distressed municipalities, public pensions, the municipal bond market, and other state and local fiscal matters. OSLF has led Treasury’s response to the fiscal crisis in Puerto Rico.

Treasury has monitored Puerto Rico's fiscal position, helped to coordinate the exchange of information about existing federal programs for which Puerto Rico is eligible, and conducted extensive market research and outreach to market participants. In addition, Treasury has briefed other federal agencies and members of Congress about Puerto Rico's fiscal situation, and explored legislative solutions to address the crisis.

During FY 2016 and FY 2017, DF will:

- Expand the reach of the *myRA* program, providing retirement savings accounts for more Americans;
- Continue working with federal partners to implement the national cyber incident response framework;
- Increase the scope and breadth of cybersecurity exercises, information sharing, and protections to better prepare the U.S. financial services sector to respond rapidly and effectively to threats and attacks;
- Support continued implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act and international insurance standards;
- Finalize a critical open rulemaking that will result in better recordkeeping of large financial institutions' qualified financial contracts, negotiate an agreement on prudential measures with the European Union to improve market access for U.S. insurers, and deepen cross-border efforts with U.S. and foreign regulators on winding down large financial institutions safely in the event of failure;
- Examine tax, regulatory, and other barriers to greater public and private investment in U.S. infrastructure and develop options to address them;
- Work for a sustainable housing finance system that meets the needs of a wide range of borrowers;
- Expand financial inclusion in the United States by improving access to transaction products, capital, and credit; and strengthen the financial capabilities of Americans;
- Work with educational institutions, financial aid providers, and other federal agencies to develop a more sustainable education finance system that preserves access to credit for students seeking college education and helps students and families better manage their debt;
- Prudently and efficiently manage Treasury issuance, monitor market liquidity access, and continue enhancing and optimizing the U.S. government's funding strategy; and
- Continue the orderly wind-down of emergency crisis response programs to maximize returns to the government.

Office of Tax Policy

The Office of Tax Policy works with the Internal Revenue Service in support of Treasury's goal to fairly and effectively reform and modernize federal financial management, accounting, and tax systems by promulgating regulations and proposing legislation that seeks to streamline and modernize existing rules and procedures. The office also supports Treasury's goal to enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth by negotiating and entering into tax agreements that encourage cross-border trade and investment.

In FY 2015, the Office of Tax Policy:

- Continued to support the implementation of the Patient Protection and Affordable Care Act (ACA), entered into signed agreements to implement the Foreign Account Tax Compliance Act (FATCA), and released guidance on the Achieving a Better Life Experience (ABLE) Act which created tax-free savings accounts to help families finance disability needs.
- Provided the Administration and Department of Education with detailed analysis of the outcomes of students who receive federal aid (including tax benefits) to attend post-secondary institutions. This included analysis of data on all federal student aid recipients from 1996 to 2014, integration with information on their economic outcomes after completing their educational careers, and detailed statistical analysis and adjustment of institution-by-institution-level estimates of outcomes for publication on the Administration's "College Scorecard" website (<https://collegescorecard.ed.gov/>) and dissemination to stakeholders. These estimates were published in September 2015 and the office continues to provide support and analysis as the Administration augments and improves the College Scorecard.
- Finalized a comprehensive tax treaty between the United States and Vietnam in July 2015. This was the first agreement of its kind between the two countries and represents a significant step in expanding the U.S. tax treaty network. The treaty awaits Senate approval.
- Worked closely with the Organisation for Economic Co-operation and Development (OECD) on the Base Erosion and Profit Shifting (BEPS) project, finalizing approximately 12 reports that serve as the deliverables to the G20 to ensure better transparency and address BEPS in a comprehensive and coordinated manner.

In FY 2016 and FY 2017, priorities for the Office of Tax Policy include:

- Finalize the student federal aid estimates for the "scorecard" and update the tax models using these data to more accurately estimate budget proposals and make revenue estimates.
- Continue negotiating FATCA agreements to move countries from agreements in substance to signed agreements.
- Migration to a research network to provide analytical support for the Presidential transition, data analysis needs, and revenue estimation.
- Continue work on comprehensive tax reform.
- Contribute to the OECD for the Department's participation in programs related to global tax administration.
- Developing additional ACA guidance in light of experience with provisions as they go into effect.

Office of Terrorism and Financial Intelligence

In FY 2015, the Office of Terrorism and Financial Intelligence (TFI) continued to make exceptional progress marshalling the Department's intelligence and enforcement functions with the aim of safeguarding the financial system against illicit actors and other national security threats, and TFI played critical roles in numerous events and activities countering global financing of terrorist activities, developing and implementing anti money laundering/countering financing of terrorism (AML/CFT) policies, and supporting U.S. sanctions policy.

- TFI senior leadership and components were heavily integrated into two hallmark efforts in American diplomatic history: the nuclear agreement with Iran and the re-opening of a U.S. presence in Cuba.

- TFI's intelligence analysis provided critical financial intelligence on U.S. adversaries to senior national security decision-makers across the U.S. government.
- TFI supports over 40 active sanctions programs including continued sanctions against Iran and ISIL. TFI's collaborated sanctions proposals have proven to be effective globally as evidenced by the Joint Comprehensive Plan of Action (JCPOA) reached between the P5+1, the EU, and Iran that will verifiably prevent Iran from obtaining a nuclear weapon and are a key tool for policy-makers to support the nation's foreign policy objectives.
- Treasury is leading the U.S. effort to undermine the Islamic State of Iraq and the Levant's (ISIL) finances as part of a comprehensive strategy to disrupt, degrade, and ultimately defeat the terrorist group. Treasury is generating and sharing financial intelligence, restricting ISIL's access to financial systems, and imposing sanctions on ISIL's leadership and financial facilitators. In 2015 alone, the U.S. sanctioned more than 30 ISIL-linked actors.
- Treasury is also working with a broad coalition of governments and international bodies, including the United Nations Security Council, the Counter ISIL Finance Group, the Financial Action Task Force, and the Egmont Group of Financial Intelligence Units, to cut off ISIL's revenue and isolate it from the international financial system. A key component of this effort is a new resolution adopted by the United Nations Security Council expanding and strengthening the U.N. al-Qaeda sanctions framework to include ISIL. The new resolution equips member nations with additional tools to combat ISIL and the financing of terrorism.

In FY 2016 and FY 2017, TFI will continue to support all ongoing efforts while focusing on four areas:

- JCPOA: TFI will continue to play a critical role in implementing the JCPOA. TFI will focus significant intelligence resources on this effort to ensure compliance with the agreement. Further, TFI will work closely with the private sector and other entities as necessary to provide transparency about changes resulting from sanctions relief connected to the JCPOA.
- Intelligence Analysis: TFI will hone and refine our analytical tools in response to rapidly-changing technology and adversaries adapting new methods and constantly working to evade our efforts.
- Cybersecurity: As Treasury's national security role has grown, so has its cybersecurity risk profile. The Department handles an increasingly large volume of classified data and must ensure this information is protected. TFI has established an insider threat capability enabling Treasury to operate an insider threat audit and monitoring system for its classified network. Treasury will work to expand the capabilities of this monitoring and audit function to remain ahead of emerging cybersecurity threats.
- Workforce: TFI will focus on retaining a highly skilled and motivated workforce by ensuring achievement is recognized, opportunities for professional growth are readily available, and TFI leadership is accessible and responsive.

Treasury-wide Management and Programs

Treasury Management aims to create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction. In FY 2015, this office made notable progress.

- Treasury met OMB's requirement for strong authentication of privileged users with an over 99 percent authentication rate. Treasury also exceeded OMB's target of 75 percent for strong authentication of unprivileged users with an 88 percent authentication rate. These

authentication rates put Treasury among the top performing federal agencies in both categories for this Cross-Agency Priority and Cyber Sprint focus area.

- For the past three years, Treasury Management has been conducting workforce planning (WFP) studies of mission-critical occupations. In 2015, Treasury targeted cybersecurity for a WFP study including adapting its WFP tool to incorporate multi-sector workforce evaluation of cybersecurity service contracts by applying the NICE (National Initiative for Cybersecurity Education) framework of work categories and specialty areas.
- Treasury's wireless contracts achieved an estimated 15 percent discount savings off the GSA Federal Strategic Sourcing Initiative (FSSI) wireless contract prices, resulting in a discount savings of approximately \$2.4 million. Treasury mandated the use of four FSSI contract vehicles (Domestic Delivery Service, Office Supplies, Janitorial/Sanitation Supplies and Maintenance/Repair/Operations Supplies); Treasury's FY 2015 total estimated savings, was \$8 million, or approximately 26 percent off of the GSA schedule prices.
- Recognized as a federal leader in organizational performance practices, Treasury successfully hosted the first annual FedStat meeting between Treasury and OMB leadership.

FY 2016 and FY 2017 priorities for Treasury Management include:

- Improving cybersecurity through additional hiring and retention of top-tier cybersecurity talent, increased coverage of automated threat detection solutions, and increased end-user training to raise awareness of cyber threats.
- Successfully implementing Treasury agency requirements for the Digital Accountability and Transparency Act (DATA Act) to ensure all the Treasury bureaus are compliant.
- Significantly transforming Treasury's digital services, with a specific focus on a secure system that promotes ease of use and system cost-effectiveness, as well as possesses a robust virtual cybersecurity infrastructure to protect Treasury's cyber assets, especially those assets with the greatest impact to citizens.
- Strengthening Treasury's ability to protect, access, and disclose Treasury information and assure that information the Department collects is being maintained within all legal requirements.
- In FY 2016 Treasury will focus its category management efforts on aggregating the requirements across the Department for the acquisition of Adobe products, Microsoft licenses, Multi-Function Devices, and Mobile Device Management, driving further IT savings across the Department.
- Developing the FY 2018-2021 Treasury Strategic Plan, integrating with Administration transition efforts.

Section 2 – Budget Adjustments and Appropriation Language

2.1 Budget Adjustments Table

Dollars in Thousands

Departmental Offices - S & E	FTE	Amount
FY 2016 Enacted	1,249	\$339,500
DO S&E	872	\$222,500
TFI 1/	377	\$117,000
Adjustment to Request	(22)	(\$10,050)
Fund RESTORE Act Administrative Expenses from Trust Fund	(14)	(\$7,000)
DO Cybersecurity Enhancements	(2)	(\$1,050)
Digital Infrastructure Security Team	(6)	(\$2,000)
Changes to Base		
Maintaining Current Levels (MCLs)	0	\$5,312
Pay-Raise	0	\$2,316
Pay Annualization	0	\$682
Non-Pay	0	\$2,314
Non-Recurring Costs	0	(\$1,050)
Kline-Miller Amendment	0	(\$1,050)
Efficiency Savings	0	(\$1,430)
TFI Contractual Support	0	(\$1,325)
Virtualization of the Foreign Credit Reporting System	0	(\$105)
Other Adjustments	60	\$0
Technical FTE Adjustment	60	\$0
Subtotal Changes to Base	60	\$2,832
Total FY 2017 Base	1,287	\$332,282
Program Changes		
Program Increases	3	\$2,094
Rationalization of the Tax Code	0	\$392
Corporate Bond Yield Curve	1	\$202
Data and Risk Analysis	2	\$1,500
Subtotal Program Changes	3	\$2,094
Total FY 2017 Request 2/ 3/	1,290	\$334,376

1/ In FY 2016, the Office of Terrorism and Financial Intelligence (TFI) was funded through a separate appropriation of \$117.0 million, which includes \$27.1 million for administrative support.

2/ The FY 2017 Budget maintains TFI at \$117.0 million and includes TFI activities in the DO S&E appropriation, where it has been each year except FY 2015 and FY 2016.

3/ The Budget also proposes to transfer \$7.0 million from the Gulf Coast Restoration Trust Fund for DO's administration and oversight responsibilities for this program. This funding is not included above.

2A – Budget Increases and Decreases Description

Adjustment to Request.....-\$10,050,000 / -22 FTE

Fund RESTORE Act Administrative Expenses from Trust Fund -\$7,000,000 / -14 FTE

In FY 2017, the Department proposes legislative language to allow Treasury to draw \$7,000,000 from the Gulf Coast Restoration Trust Fund (GCRTF) for management of the fund, including administering the civil and administrative penalties arising from the Deep Water Horizon oil spill, supporting environmental and economic restoration of the Gulf Coast region, as well as managing grants, compliance, and audit programs. In light of the recent British Petroleum settlement that will provide the GCRTF with an additional \$4.4 billion over a 15-year period, sustained funding for effective administration of this program over an extended period, a minimum of 15 to 20 years, is fundamental to the program's success.

DO Cybersecurity Enhancements -\$1,050,000 / -2 FTE

In the FY 2016 Consolidated Appropriations Act, \$1,050,000 and two FTE were provided for Security Enhancements to Classified Networks and expansion of DO's Wireless Intrusion Prevention System. In FY 2017, DO proposes to fund this request through the new appropriation account, "Cybersecurity Enhancement Account."

Digital Infrastructure Security Team -\$2,000,000 / -6 FTE

In the FY 2016 Consolidated Appropriations Act, \$2,000,000 and six FTE were provided for the Digital Infrastructure Security Team. In FY 2017, DO proposes to fund this request through the new appropriation account, "Cybersecurity Enhancement Account."

Maintaining Current Levels (MCLs) +\$5,312,000 / +0 FTE

Pay-Raise +\$2,316,000 / +0 FTE

Funds are requested for the proposed January 2017 pay-raise.

Pay Annualization +\$682,000 / +0 FTE

Funds are requested for annualization of the January 2016 pay-raise.

Non-Pay +\$2,314,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

Non-Recurring Costs..... -\$1,050,000 / +0 FTE

Kline-Miller Amendment -\$1,050,000 / +0 FTE

In the FY 2016 Consolidated Appropriations Act, \$3,000,000 and six FTE were provided to support Treasury's responsibilities under the Kline-Miller Amendment (previously referred to in the FY 2016 budget request as Multiemployer Pension Reform Act) of the FY 2015 Omnibus Bill. In FY 2017, DO would reduce the contractual support to this program, which is for a surge in program applications.

Efficiency Savings -\$1,430,000 / +0 FTE

TFI Contractual Support -\$1,325,000 / +0 FTE

DO will achieve cost savings and efficiencies in TFI contract services through more efficient oversight of all TFI contracts, consolidating contracts where appropriate, and partnering with other agencies and DO components to leverage common technology or administrative support needs.

Virtualization of the Foreign Credit Reporting System -\$105,000 / +0 FTE

DO plans to virtualize the Federal Credit Reporting System (FCRS) in FY 2016, at the end of the current server's lifecycle. FCRS provides for the input, retrieval, and analysis of foreign credit and related data. Virtualization will eliminate data center hosting charges and reduce system operations and maintenance costs as well.

Other Adjustments+\$0 / +60 FTE

Technical FTE Adjustment +\$0 / +60 FTE

An estimated 60 reimbursable FTE, supporting TFI in FY 2016, will be converted to direct FTE in FY 2017. The mission for the converted FTE remains the same--full administrative support of the TFI program.

Program Increases..... +\$4,687,000 / +6 FTE

Rationalization of the Tax Code +\$392,000 / +0 FTE

The exponential growth, availability, and variety of data from multiple sources have rapidly changed expectations regarding the Office of Tax Policy's analytical capabilities. To continue meeting the analytical requests of the Secretary and the Administration, the Office of Tax Policy must upgrade the existing computing platform. The current platform is at risk due to lack of commercially available resources. Therefore, the office must migrate to a more current operating system. The FY 2017 request of \$392,000 will provide the remaining resources necessary to upgrade the existing computing platform.

Corporate Bond Yield Curve +\$202,000 / +1 FTE

Since 2006, the Office of Economic Policy has been producing the corporate bond yield curve, which single-employer defined-benefit pension plans are required by law to use to compute the present value of their current liabilities and lump sum payments. In 2014, the office began producing the Treasury constant maturity (TCM) curve. The TCM curve is used by several federal agencies to evaluate their pension liabilities and military disability payments, which amount to more than \$6 trillion and are the second largest liability on the U.S. Balance Sheet. Production of both sets of data is a highly technical job that requires expertise in financial markets and the complexity of bond markets. Currently, this responsibility falls to one economist. The Office of Economic Policy requests one additional economist to ensure the continuity of this work, alleviate pressure on existing staff, and provide Economic Policy with additional flexibility to engage in forward-looking research and analysis.

Data and Risk Analysis +\$1,500,000 / +2 FTE

To increase data and risk analysis across DO, the following are requested in FY 2017:

- \$169,000 and one FTE in the Office of Risk Management (ORM). ORM was created with a mission to exercise leadership across a broad range of cross-agency risk management efforts. To this end, DO is currently working with other agencies to enhance risk management for credit programs across the Government. These interagency projects and work streams will also lead to risk management changes for Treasury programs. The addition of this additional FTE will enable ORM staff to better support Treasury program staff in implementing any changes to programs that are needed due to the interagency risk management projects.
- \$237,000 and one FTE to establish a Digital Accountability and Transparency Act (DATA Act) Program Management Office (PMO) within the Office of the Deputy Chief Financial Officer to

oversee and coordinate Treasury's DATA Act implementation, which is one of Treasury's FY 2016-2017 Agency Priority Goals (APGs). The Departmental DATA Act PMO will coordinate, manage, and improve upon Treasury's data transparency and standardization across financial management, procurement, grants, and loans as they relate to DATA Act requirements. The PMO would support expanded data analytics, consolidated management reporting, and potentially folding in current financial reporting functions off of a single data repository by managing technical contractor support and implementing system enhancements within the scope of the DATA Act with its stakeholders.

- \$180,000 for the Office of the Procurement Executive to establish a contract for Fed Data analytics. Use of FedDataCheck services increases the accuracy of the Department's procurement spending data in support of benchmarking and provides procurement spending data reporting in support of strategic sourcing opportunities. This contract will establish a bureau baseline for procurement spending so that the true opportunity costs of decisions are properly quantified and savings against budget dollars can be readily identified. The bureaus will be able to access the data analytics and request specific Strategic Sourcing Initiative information empowering them to improve their purchasing.
- \$350,000 to enhance DO-wide eDiscovery capabilities primarily for the Office of General Counsel. This funding will provide capability to more expeditiously and accurately identify, collect, process, review, analyze, redact (as appropriate), and produce emails and other electronic records in connection with litigation, Freedom of Information Act requests, and similar matters. Current processes are outdated and manually intensive. Automated eDiscovery reduces the amount of time required to complete data analysis and will enhance Treasury's ability to promptly respond to document requests.
- \$564,000 for the Office of International Affairs to develop enhanced capability for the interagency Committee on Foreign Investment in the United States (CFIUS), which Treasury chairs, to receive, track, and analyze data, including CFIUS case data, third party industry and merger and acquisitions data, and other data relevant to national security reviews conducted by CFIUS. This will support the ability of IA and CFIUS to better manage the CFIUS review process, assess whether notified transactions pose national security concerns, and identify non-notified transactions that may raise national security considerations warranting review. This funding will be used to acquire the information technology (IT) infrastructure and IT development, engineering, and related services to design and build out the enhanced capability.

2.2 – Operating Levels Table

Dollars in Thousands

Departmental Offices - S & E	FY 2015		FY 2016		FY 2017
Object Classification	Actual		Enacted		Request
	DO / TFI	DO	TFI	Total	
11.1 - Full-time permanent	132,955	106,085	43,124	149,209	155,612
11.3 - Other than full-time permanent	1,919	1,593	200	1,793	1,820
11.5 - Other personnel compensation	2,709	2,034	1,000	3,034	3,079
11.9 - Personnel Compensation (Total)	137,583	109,712	44,324	154,036	160,511
12.0 - Personnel benefits	40,343	30,863	14,306	45,169	47,492
Total Personnel Compensation and Benefits	\$177,926	\$140,575	\$58,630	\$199,205	\$208,003
21.0 - Travel and transportation of persons	6,249	4,155	1,872	6,027	6,141
22.0 - Transportation of things	431	144	278	422	369
23.1 - Rental payments to GSA	2,712	4,609	136	4,745	4,603
23.2 - Rental payments to others	904	655	246	901	917
23.3 - Communication, utilities, and misc charges	368	6,078	0	6,078	6,194
24.0 - Printing and reproduction	236	109	118	227	232
25.1 - Advisory and assistance services	30,398	7,393	12,829	20,222	13,205
25.2 - Other services	14,827	3,601	8,630	12,231	10,219
25.3 - Other purchases of goods & serv frm Govt accounts	69,190	40,957	30,565	71,522	66,458
25.5 - Research and development contracts	17	2,401	0	2,401	2,447
25.7 - Operation and maintenance of equip	2,323	2,432	388	2,820	2,649
26.0 - Supplies and materials	6,803	3,384	2,204	5,588	5,677
31.0 - Equipment	4,920	6,007	1,104	7,111	7,262
32.0 – Land and Structures	4	0	0	0	0
42.0 – Insurance claims and indemnities	3	0	0	0	0
43.0 - Interest and dividends	15	0	0	0	0
Total Non-Personnel	139,400	81,925	58,370	140,295	126,373
Subtotal New Appropriated Resources	317,326	\$222,500	\$117,000	\$339,500	\$334,376
Budget Activities:					
Executive Direction	56,990	59,597	0	59,597	50,417
International Affairs and Economic Policy	63,258	64,417	0	64,417	63,012
Domestic Finance and Tax Policy	116,760	125,265	0	125,265	100,650
Terrorism and Financial Intelligence	119,126	0	123,966	123,966	138,719
Treasury-wide Management and Programs	91,184	96,247	0	96,247	84,470
Total Budgetary Resources	\$447,319	\$345,526	\$123,966	\$469,492	\$437,268
FTE	1,354	1,069	406	1,475	1,456

2B – Appropriations Language and Explanation of Changes

Appropriation Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY DEPARTMENTAL OFFICES Federal Funds SALARIES AND EXPENSES (INCLUDING TRANSFER OF FUNDS)</p> <p>For necessary expenses of the Departmental Offices including operation and maintenance of the Treasury Building and [Annex] <i>Freedman’s Bank Building</i>; hire of passenger motor vehicles; maintenance, repairs, and improvements of, and purchase of commercial insurance policies for, real properties leased or owned overseas, when necessary for the performance of official business; executive direction program activities; international affairs and economic policy activities; domestic finance and tax policy activities, including technical assistance to [Puerto Rico] <i>state and local entities; terrorism and financial intelligence activities</i>; and Treasury-wide management policies and programs activities, [\$222,500,000] <i>\$334,376,000: Provided</i>, That of the amount appropriated under this heading—</p> <p>(1) <i>Not less than \$117,000,000 is for the Office of Terrorism and Financial Intelligence to safeguard the financial system against illicit use and to combat rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers, drug kingpins, and other national security threats;</i></p> <p>(2) not to exceed \$350,000 is for official reception and representation expenses;</p> <p>([2]3) not to exceed \$258,000 is for unforeseen emergencies of a confidential nature to be allocated and expended under the direction of the Secretary of the Treasury and to be accounted for solely on the Secretary's certificate; and</p> <p>([3]4) not to exceed [\$22,200,000] <i>\$22,000,000</i> shall remain available until September 30, [2017] <i>2018</i>, for—</p> <p>(A) the Treasury-wide Financial Statement Audit and Internal Control Program;</p> <p>(B) information technology modernization requirements;</p> <p>[(C) the audit, oversight, and administration of the Gulf Coast Restoration Trust Fund; and]</p> <p><i>(C) support for the Office of Terrorism and Financial Intelligence;</i></p> <p>(D) the development and implementation of programs within the Office of Critical Infrastructure Protection and Compliance Policy, including entering into cooperative agreements[.]; <i>and</i></p> <p><i>(E) international operations.</i></p>	<p>The Administration proposes “state and local entities” because Treasury needs broad authority to provide technical assistance.</p> <p>The Administration includes the Office of Terrorism and Financial Intelligence activities in the Salaries and Expenses appropriation to promote efficient budget execution.</p> <p>Two-year funding requested for international operations to facilitate invoicing, receipt of reimbursements and obligation of funds for staff assigned to overseas posts including at international financial institutions pursuant to 5 U.S.C. § 3343.</p>

Appropriation Language	Explanation of Changes
<p><i>Provided further, That, in addition to the amount otherwise made available under this heading, \$7,000,000 shall remain available until September 30, 2018, for necessary expenses for carrying out subtitle F of title I of division A of Public Law 112–141, to be derived from the trust fund established under section 1602 of such Public Law, without altering the percentages of funds made available for other purposes from the remaining balance of the trust fund. (Department of the Treasury Appropriations Act, 2016.)</i></p> <p style="text-align: center;">OFFICE OF TERRORISM AND FINANCIAL INTELLIGENCE SALARIES AND EXPENSES (INCLUDING TRANSFER OF FUNDS)</p> <p>[For the necessary expenses of the Office of Terrorism and Financial Intelligence to safeguard the financial system against illicit use and to combat rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers, drug kingpins, and other national security threats, \$117,000,000: <i>Provided</i>, That of the amount appropriated under this heading: (1) not to exceed \$27,100,000 is available for administrative expenses; and (2) \$5,000,000, to remain available until September 30, 2017.] <i>(Department of the Treasury Appropriations Act, 2016.)</i></p>	<p>The Administration proposes language to fund the DO’s administration and oversight responsibilities under the RESTORE Act from the trust fund established by that act rather than annual discretionary appropriations.</p> <p>The Administration includes the Office of Terrorism and Financial Intelligence activities in the Salaries and Expenses appropriation.</p>

2C – Legislative Proposals

DO SE has no discretionary legislative proposals.

2D – Mandatory Program Proposals

RESTORE Act

As it did in the FY 2016 Budget, Treasury proposes legislative language for FY 2017 to allow Treasury to draw \$7,000,000 from the Gulf Coast Restoration Trust Fund (GCRTF) for management of the fund, including administering the civil and administrative penalties arising from the *Deep Water Horizon* oil spill, supporting environmental and economic restoration of the Gulf Coast region, and standing up grants, compliance, and audit programs. In light of the recent British Petroleum settlement that will provide the GCRTF with an additional \$4.4 billion over a 15-year period, sustained funding for effective administration of this program over an extended period, a minimum of 15 to 20 years, is fundamental to the program’s success.

Financing America’s Infrastructure Renewal (FAIR)

The Budget proposes to establish a new federal credit program within the Department of the Treasury that would provide direct loans to U.S. infrastructure projects developed through a public-private partnership (P3). The Financing America’s Infrastructure Renewal (FAIR) program seeks to reduce the financing cost gap between P3s and traditional procurement, which

will level the playing field for P3s and encourage the public sector—including state and local governments—to evaluate the merits of P3s for a given project.

While P3s are not a solution to the nation’s overall infrastructure funding needs, which continue to deserve greater federal investment, they may generate certain public benefits. P3s are a financing and procurement tool that, in some circumstances, can accelerate the delivery of complex projects, leverage the resources and expertise of the private sector, mitigate construction and operational risks to the public sector, and reduce the likelihood of deferred maintenance on a project. Eligible projects under the program will encompass the transportation, water, energy, and broadband sectors, as well as certain social infrastructure, and must meet all applicable environmental and labor standards.

The program is estimated to provide \$15 billion in direct loans over 10 years. The interest rate on the loans will be priced above equivalent-term U.S. Treasury security rates to reflect the credit risk (e.g. defaults, recoveries, and prepayments) associated with each project, allowing the program to attain a zero estimated subsidy cost.

Financial Innovation for Working Families Fund

The President’s Budget proposes \$100 million for the Department of the Treasury to encourage the development of effective financial products that would help low- to moderate-income workers build up “rainy day” reserves. The reserves would provide these workers and their families with a buffer against shocks to income and spending needs.

The program will provide funding to eligible competitors, including non-profits, community banks, Community Development Financial Institutions, entrepreneurial incubators, financial intermediaries, financial service providers (depository and non-depository), and other businesses that offer appropriate products. Recipients would use the funds to develop and study new financial products designed to overcome barriers to working families saving.

To ensure that the products meet the program’s goals, demonstrations would be tied to strong evaluation plans. Demonstrations may include large-scale explorations of financial innovations with some existing track record. Examples include, but are not limited to, the following:

- Subsidized savings accounts with federal matching funds for progressive levels of savings,
- Dual-account models that automatically transfer money to savings accounts in periods of higher income and back to transaction accounts in periods of lower income,
- Payments set-aside accounts that prefund regular monthly payments, and
- Split retirement accounts where a portion of savings can be accessed penalty free if income dips or an individual loses a job.

Allotment for Puerto Rico EITC Payments

The Budget proposes a \$600 million annual allotment, indexed to inflation, to create a locally-administered refundable Earned Income Tax Credit (EITC) for residents of Puerto Rico. Unlike Americans living in the fifty states and the District of Columbia, residents of Puerto Rico are not eligible for an EITC. Given Puerto Rico’s low labor force participation rate, the existence of an EITC should increase employment in Puerto Rico’s official sector by providing higher incomes to workers who file taxes. This added incentive for participation in Puerto Rico’s formal economy should also increase Puerto Rican tax compliance and tax revenues.

Pay for Success

Budget proposes a \$300 million one-time mandatory appropriation for a new Pay for Success (PFS) program in the Department of the Treasury. This program will support the growing number of state and local governments seeking to establish projects that use PFS financing. These projects leverage private investment to provide preventive social services that measurably improve outcomes for families and communities while generating value to the government, including savings. The program's focus on measurable outcomes will encourage innovation and accelerate the use of evidence-based approaches while supporting solutions that work across traditional silos of funding or services. The program will provide results-based success payments to eligible intermediaries, including state and local governments, as well as credit enhancement and support for feasibility studies and project evaluations.

Section 3 – Budget and Performance Plan

3A – Executive Direction

(\$38,240,000 from direct appropriations, and \$12,177,000 from reimbursable resources):

The Executive Direction program area provides direction and policy formulation to the Department and Departmental Offices and interacts with Congress and the public on Departmental policy matters.

No specific performance goals/measures are presented for this budget activity as the work of these offices is captured within the other budget activities.

3.1.1 – Executive Direction Budget Activity Budget and Performance Plan

Dollars in Thousands

Executive Direction Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Request
Appropriated Resources	\$24,709	\$37,272	\$37,219	\$35,763	\$34,588	\$35,313	\$37,943	\$38,240
Other Resources	\$1,656	\$3,570	\$4,545	\$4,691	\$15,137	\$21,677	\$21,404	\$12,177
Budget Activity Total	\$26,365	\$40,842	\$41,764	\$40,454	\$49,725	\$56,990	\$59,347	\$50,417

3B – International Affairs and Economic Policy

(\$59,467,000 from direct appropriations, and \$3,545,000 from reimbursable resources):

The offices in this budget activity promote economic growth in the U.S. by producing technical economic analyses for the Secretary and advancing U.S. economic and financial policy priorities around the world.

Office of Economic Policy (EP)

This office supports the following strategic objectives for Strategic Goal #1, to promote domestic economic growth and stability while continuing reforms of the financial system:

- Objective 1.1: Promote savings and increased access to credit and affordable housing options.
- Objective 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability.

This office also supports the following strategic objective for Strategic Goal #2, to Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth.

- Objective 2.1: Promote free trade, open markets, and foreign investment opportunities.

Description of Performance:

During the past year, Economic Policy staff constructed the Treasury Real Coupon-Issue Yield Curve, a companion to the Treasury Nominal Coupon-Issue Yield Curve. These data will be used by federal agencies that administer federal pension programs and other future payment programs to calculate their annual liabilities. Economic Policy also produced an estimate of state Total Taxable Resources, which estimates the relative fiscal capacity of states and is used in determining the allocation of funds for the Community Mental Health Services and Substance Abuse Prevention and Treatment block grant programs. Economic Policy wrote a paper titled,

“Expanding the Market for Infrastructure: Public-Private Partnerships,” designed to educate stakeholders on innovative infrastructure financing approaches, particularly public private partnerships, and to assess the current state of our infrastructure. Economic Policy also authored a report, jointly with the Council of Economic Advisers and the Department of Labor, “Occupational Licensing: A Framework for Policymakers,” which analyzes the growth and economic consequences of occupational licensing.

During FY 2015, the Office of Economic Policy continued to participate in the development and implementation of housing policy, including enhancing the Making Home Affordable program, by making incentives available to potentially one million struggling borrowers to stay current in their Home Affordable Modification Program modifications, thereby increasing the opportunity to stay in their home. Economic Policy continued to produce the corporate bond yield curve, used by pension plans to discount their pension liabilities.

Office of International Affairs (IA)

This office supports the following strategic objective for Strategic Goal #1, to promote domestic economic growth and stability while continuing reforms of the financial system:

- Objective 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability.

This office also supports the following strategic objectives for Strategic Goal #2, to enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth:

- Objective 2.1: Promote free trade, open markets, and foreign investment opportunities.
- Objective 2.2: Protect global economic and financial stability and press for market-determined foreign exchange rates.
- Objective 2.3: Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms.
- Objective 2.4: Provide technical assistance to developing countries working to improve public financial management and strengthen their financial systems.

Description of Performance:

In FY 2015, the Office of International Affairs (IA) helped ensure a favorable external environment for sustained job growth and financial stability in the U.S. by prioritizing its work around five themes: Trade and Investment; Global Rebalancing; International Financial Stability; Management; and International Development.

In its role as lead on non-insurance financial services and on transfers negotiations, Treasury completed the negotiation of the financial services chapter and the transfers provision in the Trans-Pacific Partnership (TPP) agreement; Treasury also negotiated the Joint Declaration of the Macroeconomic Authorities of TPP Countries to address unfair currency practices by promoting transparency and accountability. Treasury will continue working to implement the TPP, which is to include countries that account for one-third of global trade, and the Joint Declaration. Treasury also supported the Administration in pursuing negotiations for the Transatlantic Trade and Investment Partnership with the European Union, the Trade in Services Agreement with 24 other like-minded countries to liberalize services trade, and the Bilateral Investment Treaty with China. In addition, as the U.S. lead in negotiating international disciplines on officially

supported export credits, Treasury is pressing within the International Working Group on Export Credits to establish a new set of international guidelines encompassing both Organisation for Economic Co-operation and Development (OECD) and non-OECD countries, including China.

Treasury works to address the large and persistent imbalances between countries that threaten sustainable U.S. economic growth through multilateral and bilateral activities, such as the G-20 and the U.S.-China Strategic & Economic Dialogue (S&ED). In December 2014, the G-20 leaders endorsed a U.S.-led initiative—The Brisbane Action Plan—to boost demand over the near-term that, if fully implemented, could increase the combined GDP of the G-20 countries by as much as 2.1 percent over current estimates by 2018. At the June 2015 S&ED, Treasury secured commitments from China on the negotiation of international export credit disciplines, market access for U.S. high-technology goods and services, and expanded participation in China's markets by U.S. financial services providers.

In FY 2015, Treasury continued to support the U.S. economy's recovery by mitigating the threat from weak growth in the euro area and working to limit negative economic and financial spillovers from the crisis in Greece and the conflict in Ukraine. Specific activities included: working with European counterparts to help maintain long-term sustainability of the euro; advancing the establishment of a centralized European banking union; working with the IMF and others to monitor progress towards economic stabilization in vulnerable, strategically important countries; implementing technical assistance and loan guarantee programs for Ukraine; and placing a Treasury Financial Attaché in U.S. embassies in Kiev and Ankara.

Treasury leverages multilateral mechanisms to advance inclusive economic growth worldwide through IA's work in support of the Multilateral Development Banks' (MDBs) financing in developing countries; G-20 initiatives on financial inclusion and infrastructure finance; and the Paris Club's targeted debt relief efforts. In FY 2015, Treasury led the U.S. negotiating team for the Addis Ababa Action Agenda, the outcome document of the Third International Conference on Financing for Development. The Addis Action Agenda will serve as a foundational document for financing and implementing the "Sustainable Development Goals," which was agreed to by leaders at a Summit in September 2015. Treasury also enhanced its oversight of the MDBs' policies and programs, including major reviews of the World Bank's environmental and social safeguards, procurement, and shareholding. Treasury helped the MDBs make optimal use of their balance sheets, including through a major reform of the Asian Development Bank's two lending windows.

This year the Treasury Under Secretary for International Affairs led a strategic review of the office that rebalanced resource allocations to reflect changing mission requirements. Areas addressed in the reallocation include the increasing demands associated with coordinating international financial regulatory reform and chairing the Committee on Foreign Investment in the United States (CFIUS). Treasury created the new position, Deputy Assistant Secretary for International Financial Stability and Regulation, and developed additional international capital markets expertise to help ensure U.S. firms are not at a competitive disadvantage when providing financial services or accessing financial markets. IA also devoted greater resources to managing the growing volume and complexity of CFIUS cases.

Treasury, as chair of CFIUS, coordinates an interagency process to review certain foreign investments for national security risks in accordance with the procedures and tight deadlines specified in law and regulation.

- Timely Review of CFIUS Cases: This measure tracks compliance with statutory deadlines for completing national security reviews of transactions notified to the CFIUS to ensure that the CFIUS process is timely and efficient. The target (100 percent) was met in FY 2015. IA's target for this measure in FY 2016 and FY 2017 is 100 percent.

Treasury promotes economic growth by managing U.S. participation and leveraging U.S. leadership positions in the International Financial Institutions in order to mitigate emerging threats to the U.S. and global economies; support international trade and investment; and reinforce U.S. national security interests in key countries around the world.

- Monitor Quality and Enhance Effectiveness of International Monetary Fund (IMF) Lending through Review of IMF Country Programs: This measure tracks efforts by IA staff to monitor the quality of IMF country programs and ensure the application of appropriately high standards for the use of IMF resources. The target (100 percent) was met in FY 2015. In FY 2016 and FY 2017, IA's target for this measure remains 100 percent.
- Monitor Quality and Enhance Effectiveness of MDB Lending through Timely Review of MDB Grant and Loan Proposals: IA reviews MDB loan and grant proposals to ensure that funded projects meet several key goals, which include supporting long-term U.S. objectives, having a measurable development impact, and being consistent with congressional mandates. The target (100 percent) was met in FY 2015. In FY 2016 and FY 2017, IA aims to continue its review of 100 percent of MDB loan and grant proposals prior to the date of the relevant Executive Board meeting and increase its oversight of projects during implementation.

Finance ministries and central banks of developing countries that have demonstrated strong commitment to reforming their financial systems or public financial management can receive direct assistance from the Office of Technical Assistance through its cadre of expert advisors. The technical assistance team leverages its funding to increase transparency and accountability, reduce corruption, and strengthen the development of market-based policies and practices in these economies. This work supports stabilization of financial sectors in national security/foreign policy priority countries (e.g., Ukraine), more transparent and accountable financial sectors for U.S. investors overseas, and the expansion of markets for U.S. exporters, thus promoting jobs and economic growth at home.

Office of Technical Assistance (OTA): Program Engagement (Traction) measures the degree to which foreign counterparts are engaging proactively and constructively with OTA advisors, at the working and policy levels. Counterpart engagement is both a key outcome of OTA efforts to structure and execute effective technical assistance projects that support host country ownership as well as the most crucial input to the successful achievement of the intermediate goals and ultimate outcomes described in the project's terms of reference and work plan during the fiscal year – such as passage of law or regulation, an increase in government revenues, an improvement in a government's credit rating, or a reduction in economic crimes. The measure is scored on a 5-point scale and averaged across all projects to provide one overall measure of OTA's

performance. In FY 2015 the Traction score was 3.8, exceeding the target of 3.6. In FY 2016 and FY 2017, IA's target for Traction is 3.6.

OTA discontinued externally reporting on program "impact" due to several reasons: extraneous factors can significantly affect the measure, which makes it unsuitable for target-setting; and the measure was misleading in that it implied a more direct connection than is warranted between Treasury technical assistance and the ultimate economic and financial sector achievements for foreign counterparts. While OTA's work is important and necessary, ultimate outcomes ("impact"), such as strong financial sectors and sound management of public finance that support financial stability, investment, and economic growth, are largely the product of a host country's policy and political environment, the commitment of in-country actors to reform overall economic conditions, and in some cases the country's security environment.

For internal program management purposes, OTA will continue to collect and analyze data on "impact" on a project-by-project basis. Both "impact" and "traction" measures will continue to inform program decision making, along with other information such as project reporting and assessment missions, including decisions about which projects to continue or terminate.

3.1.2 – International Affairs and Economic Policy Budget and Performance Plan

Dollars in Thousands

International Affairs and Economic Policy Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Request
Appropriated Resources	\$47,539	\$62,798	\$59,277	\$56,804	\$56,265	\$57,362	\$58,520	\$59,467
Other Resources	\$5,233	\$1,314	\$1,293	\$2,275	\$4,891	\$5,896	\$5,842	\$3,545
Budget Activity Total	\$52,772	\$64,112	\$60,570	\$59,079	\$61,156	\$63,258	\$64,362	\$63,012

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
IA - Monitor Quality and Enhance Effectiveness of International Monetary Fund (IMF) Lending Through Review of IMF Country Programs	97.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
IA - Monitor Quality and Enhance Effectiveness of MDB Lending Through Review of MDB Grant and Loan Proposals	N/A	N/A	N/A	100.0	100.0	100.0	100.0	100.0	100.0
IA - Percentage of MDB Grant and Loan Proposals Containing Satisfactory Frameworks for Results Measurement	92.5	94.0	94.0	92.0	N/A	93.0	94.0	94.0	100.0
IA - Timely Review of CFIUS Cases	N/A	N/A	N/A	100.0	100.0	100.0	100.0	100.0	100.0
OTA - Program Engagement)	3.5	3.7	3.9	3.8	3.7	3.8	3.6	3.6	3.6

Key: DISC - Discontinued

3C – Domestic Finance and Tax Policy

(\$76,304,000 from direct appropriations, and \$24,346,000 from reimbursable resources):

The offices within Domestic Finance and Tax Policy monitor and provide advice and assistance to the Secretary in their respective areas, as well as on financial markets and the regulation of financial institutions.

Office of Tax Policy

This office supports the following strategic objective for Strategic Goal #2, to enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth:

- Objective 2.1: Promote free trade, open markets, and foreign investment opportunities.

This office supports the following strategic objective for Strategic Goal #3, to fairly and effectively reform and modernize federal financial management, accounting, and tax systems:

- Objective 3.3: Pursue tax reform, implement the Patient Protection and Affordable Care Act (ACA) and Foreign Account Tax Compliance Act, and improve the execution of the tax code.

Description of Performance:

In FY 2015, the Office of Tax Policy continued to implement ACA, entered into signed agreements to implement FATCA and released guidance on the ABLE Act of 2014. In addition, the office provided the Administration and Department of Education a detailed analysis of the outcomes of students who receive federal aid to attend post-secondary institutions. To further the goal of enhancing U.S. competitiveness and job creation and encouraging cross-border trade and investment, the Office of Tax Policy finalized a comprehensive tax treaty between the U.S. and Vietnam and also worked closely with the OECD to finalize 12 reports serving as deliverables for the BEPS project to address base erosion and profit shifting in a comprehensive manner.

Office of Domestic Finance (DF)

This office supports the following strategic objectives for Strategic Goal #1, to promote domestic economic growth and stability while continuing reforms of the financial system:

- Objective 1.1: Promote savings and increased access to credit and affordable housing options.
- Objective 1.2: Wind down emergency financial crisis response programs.
- Objective 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability.

This office also supports the following strategic objectives for Strategic Goal #3, to fairly and effectively reform and modernize federal financial management, accounting, and tax systems:

- Objective 3.1: Improve the efficiency and transparency of federal financial management and Government-wide accounting.
- Objective 3.2: Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. Government.

This office also supports the following strategic objectives for Strategic Goal #4, safeguard the financial system, and use financial measures to counter national security threats:

- Objective 4.3: Improve the cybersecurity of our nation's financial sector critical infrastructure.

As highlighted in the FY 2015 Strategic Objective Annual Review (SOAR) in April, DF's efforts related to Strategic Objective 4.3 were recognized as achieving noteworthy progress, although due to the vast and evolving nature of the cyber threat, the objective was also categorized as a Focus Area for Improvement.

Description of Performance:

The Office of Domestic Finance (DF) continued working to preserve confidence in the U.S. Treasury market in FY 2015 by effectively managing federal fiscal operations, strengthening financial institutions and markets, promoting access to credit, and improving financial access and education in service of America's long-term economic strength and stability.

DF's Office of Critical Infrastructure Protection and Compliance Policy (OCIP) established the Financial Sector – Cyber Intelligence Group to focus on cybersecurity information sharing with the financial sector. Its purpose is to increase the volume, timeliness, and quality of cyber threat information shared between the government and the financial services sector as called for under Executive Order 13636 on Improving Critical Infrastructure Cybersecurity and Presidential Policy Directive 21 on Critical Infrastructure Security and Resilience.

The Office of Financial Stability continued to responsibly wind down investments in the Troubled Asset Relief Program (TARP) and support distressed homeowners. In December 2014, Treasury sold all of its remaining 54.9 million shares of Ally common stock for approximately \$1.3 billion, exiting the last TARP equity investment under the Auto Industry Financing Program. As of December 2015, the percentage of TARP investments remaining (as a percentage of the overall investment) had decreased to 0.2 percent from the 2014 level of 0.7 percent. The cumulative TARP amount recovered increased in FY 2015 to nearly \$442 billion as of December 2015. As of the end of FY 2015, there are 20 institutions remaining in the Capital Purchase Program (CPP), which has generated \$227 billion in proceeds for taxpayers.

DF has one performance measure:

- Variance between estimated and actual receipts (annual forecast) (percent): As part of managing the Government's central operating account and cash position, the Office of Fiscal Projections (OFP) forecasts net cash flows (e.g., federal receipts, outlays, and other miscellaneous flows) to ensure that adequate funds are available daily to cover federal payments. To determine its overall effectiveness, one of OFP's metrics is to measure the variance between actual and projected federal receipts.

The actual variance for FY 2015 was 2.8 percent, which is significantly lower than the 4.25 percent target for FY 2015. Therefore, performance was better than the target level. In addition, the FY 2015 performance compares favorably with the actual variance for FY 2014, which was 3.25 percent. The target for both FY 2016 and FY 2017 is 4.25 percent.

3.1.3 – Domestic Finance and Tax Policy Budget Activity Budget and Performance Plan

Dollars in Thousands

Domestic Finance and Tax Policy Budget Activity

Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Request
Appropriated Resources	\$44,373	\$64,201	\$71,451	\$68,351	\$81,783	\$76,520	\$84,591	\$76,304
Other Resources	\$10,889	\$31,345	\$11,629	\$12,804	\$24,977	\$40,240	\$40,283	\$24,346
Budget Activity Total	\$55,262	\$95,546	\$83,080	\$81,155	\$106,760	\$116,760	\$124,874	\$100,650

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
DF - Variance Between Estimated and Actual Receipts (Annual Forecast)(%)	5.8	4.4	3.8	2.5	3.25	2.8	4.25	4.25	4.25

Key: DISC – Discontinued

3D – Terrorism and Financial Intelligence

(\$117,000,000 from direct appropriations, and \$21,719,000 from reimbursable resources):

This office supports the following strategic objective for Strategic Goal #2, to enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth:

- Objective 2.3: Advance U.S. economic, financial, and national security goals by leveraging multilateral mechanisms.

This office also supports the following strategic objective for Strategic Goal #4, to safeguard the financial system and use financial measures to counter national security threats:

- Objective 4.1: Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector.
- Objective 4.2: Develop, implement, and enforce sanctions and other targeted financial measures.
- Objective 4.3: Improve the cybersecurity of our Nation's financial sector critical infrastructure.
- Objective 4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards.

Description of Performance:

The Office of Terrorism and Financial Intelligence (TFI) marshals the Department's intelligence and enforcement functions with the twin aims of safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers, drug kingpins, and other national security threats. Under the Executive Order and legislation umbrellas, TFI supports Treasury's strategic and priority goals by the implementation of specific sanctions tailored to block assets or impose trade restrictions.

As highlighted in the FY 2015 SOAR, TFI maintained unified cross-organizational priorities and successfully increased intelligence reports production on Russia/Ukraine, Iran, and ISIL. Further, TFI produced numerous quick turnaround analyses on Iran nuclear negotiations for

Treasury and the Administration. Next steps include assessing and improving internal clearance processes, developing and implementing the TFI Strategic Plan, developing new performance measures that align to the new strategic plan, and clarifying roles and responsibilities to better coordinate within the organization.

TFI's performance metric is:

Impact of TFI Programs and Activities: In order to gauge its performance, TFI created a composite measure consisting of three program office focus areas related to its mission and strategic goals, including customer outreach, increasing budget production and dissemination of intelligence products, and implementing IT modernization projects. In FY 2015, TFI exceeded its performance goal of 8.5 with a score of 8.8 and expects to achieve its FY 2016 and FY 2017 target of 8.5.

3.1.4 – Terrorism and Financial Intelligence Budget Activity Budget and Performance Plan

Dollars in Thousands

Terrorism and Financial Intelligence Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Request
Appropriated Resources	\$63,601	\$99,532	\$100,000	\$96,116	\$101,305	\$112,160	\$117,000	\$117,000
Other Resources	\$6,208	\$18,989	\$31,225	\$30,832	\$31,293	\$6,966	\$6,966	\$21,719
Budget Activity Total	\$69,809	\$118,521	\$131,225	\$126,948	\$132,598	\$119,126	\$123,966	\$138,719

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Impact of TFI Programs and Activities	7.4	7.6	8.1	8.3	8.5	8.8	8.5	8.5	8.5

Key: DISC - Discontinued

3E – Treasury-wide Management and Programs

(\$43,365,000 from direct appropriations, and \$41,105,000 from reimbursable resources):

This budget activity includes offices that are responsible for the internal management and policy of the Department: the Office of the Assistant Secretary for Management, the Office of the Chief Information Officer; the Office of Privacy, Transparency, and Records; the Office of the Procurement Executive; the Office of Chief Human Capital Officer; the Office of Emergency Programs; the Office of the Deputy Chief Financial Officer; and the Office of the Deputy Assistant Secretary for Management and Budget.

This office supports the following strategic objective for Strategic Goal #5, to create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction.

- Objective 5.1: Increase workforce engagement, performance, and diversity by instilling excellence, innovation, and inclusion in Treasury's organizational culture and business practices.
- Objective 5.2: Support effective, data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use, and dissemination of information.
- Objective 5.3: Promote efficient use of resources through shared services, strategic sourcing,

- streamlined business processes, and accountability.
- Objective 5.4: Create a culture of service through relentless pursuit of customer value.

Description of Performance:

In FY 2015, Treasury continued execution of its FY 2014-2017 Human Capital Strategic Plan, focusing efforts on improving quality in the delivery of human capital services and increasing workforce engagement, performance, and diversity. In response to problems identified in Human Capital Assessment and Accountability Framework bureau audits, the Chief Human Capital Officer directed a year-long project called “Focus on Fundamentals” including data-based reviews and training on the application of Merit System Principles and prevention of Prohibited Personnel Practices. Treasury expects to apply for the Office of Special Counsel’s Section 2302 certification (that employees are informed of the rights and remedies available to them under the Whistleblower Protection Act and related laws) in the second quarter of FY 2016. For the past three years, Treasury has been conducting workforce planning (WFP) studies of mission-critical occupations. In 2015, Treasury targeted Cybersecurity for a WFP study including adapting its WFP tool to incorporate multi-sector workforce evaluation of Cybersecurity service contracts by applying the NICE (National Initiative for Cybersecurity Education) framework of work categories and specialty areas. The Treasury Executive Institute secured Office of Personnel Management approval for a shared-service Senior Executive Service candidate development program (CDP) and commenced its first CDP class in June 2015 with 27 candidates from five Treasury bureaus and five external agencies.

For FY 2015, the Department received its sixteenth consecutive unmodified audit opinion on its Treasury-wide financial statements. Overall, the Department has made strong progress in enhancing its internal control environment, and remains committed to ensuring high standards of integrity and transparency in reporting its financial performance.

Management’s performance metrics are:

- Treasury-wide Footprint (Square Footage): This goal measures the total square footage occupied by Treasury’s owned and leased buildings. To reduce the Department’s real property footprint and maximize the use of existing real property assets, the Department maximized space utilization by undertaking space realignments, consolidations, and through improved work station standards.
- Treasury-wide Percentage of Procurement Dollars Spent on Small Business: The Treasury Office of Small and Disadvantaged Business Utilization (OSDBU) implements aspects of the United States Small Business Act for the Department of Treasury. The office is responsible for ensuring that Treasury achieves small business contracting objectives established by the Small Business Act. The OSDBU ensures that Treasury sets a reasonable goal for award of prime contracts to small businesses and has people, policy, and infrastructure in place to achieve all goals while supporting mission success. The office developed two new objectives in FY 2015. First, the office is analyzing the current Treasury small business portfolio to ensure that the small business community is given adequate opportunity to compete while fully supporting Treasury’s achievement of its mission. Second, the office is creating educational material to educate the small business community and the acquisition workforce on how small businesses can invest in themselves to compete for federal contracts.

The OSDBU identified significant trends in the data from 2011 to 2015 that are driving both objectives. First, from 2011 to 2015 the SBA consistently set an aggressive prime small business contracting goal. Each and every year from 2011 to 2015 as the small business prime percentage goal increased or remained flat around 35 percent the total number of contract awards to small business decreased. The total contract awards to small businesses decreased by half from 2011 to 2015. This is significant because fewer contract awards to small business means less capability and past performance in the small business community. OSDBU's analysis also indicated that small businesses that are successful reinvest profits from federal contracts.

In FY 2014 Treasury achieved 36.91 percent of total procurement spending in the small business prime category with a Small Business Administration (SBA) established target of 35.07 percent. Treasury exceeded the contracting goals for all socioeconomic small business categories in FY 2014. The FY 2015 overall small business prime goal was set at 35 percent by the SBA. Throughout FY 2015, Treasury continued to employ successful strategies to work toward achieving the small business goals with limited mission risk.

Treasury's FY 2015 small business contract achievements are expected to be announced by the SBA in the spring or early summer 2016. Treasury expects to achieve an "A" on its small business scorecard. The SBA has set the Treasury FY 2016 agency small business prime goal at 37 percent, citing a need to ensure the Government as a whole achieves the 23 percent federal mandate.

- Treasury-wide Results-Oriented Performance Culture Scores (Index of the Federal Employee Viewpoint Survey [FEVS]): The FEVS Results-Oriented Performance Culture Index denotes the extent to which employees believe their organizational culture promotes improvement in processes, products and services, and organizational outcomes. The measure is being discontinued because it is being replaced with the two measures below, which address higher priority human capital issues.
- Treasury-wide "Engagement" Index of Federal Employee Viewpoint Survey (FEVS): Treasury implemented all milestones of OMB Memorandum M-15-04, "Strengthening Employee Engagement and Organizational Performance" (December 23, 2014). In addition to bureau-level reviews, Treasury conducted two Treasury-wide Engagement review sessions for high-level leadership during FY 2015. Treasury also set goals to increase FEVS participation rates. Treasury had the largest number of completed surveys of any single agency (51,700) and increased participation rates from 58.8 percent in 2014 to 61.5 percent in 2015. Treasury's scores for the Engagement Index remained at 66 percent for both 2014 and 2015.
- Treasury-wide "Leaders Lead" Index of Federal Employee Viewpoint Survey (FEVS): Treasury also set the goal to increase the "Leaders Lead" index above 2014 results. Treasury's score for the Leaders Lead Index increased from 53 percent in 2014 to 54 percent in 2015.

- Treasury-wide Percentage of Discounts and Savings Achieved Through Strategically Sourced Contracts:

This goal measures the percentage of dollars saved as a result of aggregating requirements and leveraging spend against strategically sourced vehicles. Through the use of category management in federal contracting Treasury seeks to save the federal government money through smarter purchasing and getting the best price for the taxpayer. This program highlights efforts by Treasury to maximize the utility of the taxpayer dollar and achieve more efficiency with fewer resources. Treasury's most recent successes are in the areas of wireless and numerous Federal Strategic Sourcing Initiative (FSSI) initiatives. In FY 2015, Treasury's managed contracts achieved an estimated 15 percent discount savings off the GSA FSSI wireless contract prices, resulting in a discount savings of approximately \$2.4 million. In FY 2015, Treasury mandated the use of four FSSI contract vehicles (Domestic Delivery Service, Office Supplies, Janitorial/Sanitation Supplies and Maintenance/Repair/Operations Supplies); Treasury's FY 2015 total savings, were \$8 million, or approximately 26 percent off of the GSA schedule prices. Treasury will seek to build on these gains in the IT hardware and software areas in future years.

3.1.5 – Treasury-wide Management and Programs Budget Activity Budget and Performance Plan

Dollars in Thousands

Treasury-wide Management and Programs Budget Activity

Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Appropriated Resources	\$27,193	\$43,670	\$40,441	\$35,223	\$31,802	\$35,971	\$41,446	\$43,635
Other Resources	\$18,653	\$14,284	\$17,478	\$15,320	\$30,858	\$55,213	\$55,497	\$41,105
Budget Activity Total	\$45,846	\$57,954	\$57,919	\$50,543	\$62,660	\$91,184	\$96,943	\$84,470

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Percent of Procurement Dollars Spent on Small Business	29.62	34.51	38.52	39.15	36.91	35.11	35.0	37.0	N/A*
Treasury-wide Footprint (Square Footage)	37,088	37,596	37,998	37,320	36,411	35,439	36,031	35,551	34,477
Treasury-wide Results-Oriented Performance Culture Scores (Index of the Federal Employee Viewpoint Survey [FEVS])	57.0	59.0	57.0	55.0	55.0	56.0	56.0	DISC	DISC
Treasury-wide Engagement Index of the FEVS	N/A	N/A	70%	68%	66%	66%	67%	67%	67%
Treasury-wide Leaders Lead Index of the Federal Employee Viewpoint Survey (FEVS)	N/A	N/A	N/A	N/A	53.0	54.0	N/A	55.0	55.0

Key: DISC – Discontinued

The measure is being replaced with "Engagement" and "Leaders Lead," which are higher priority human capital issues.

*Targets negotiated annually.

Section 4 – Supplemental Information

4A – Summary of Capital Investments

Information Technology Capital Investments

DO is focused on leveraging Treasury enterprise data centers to provide flexible, customized information technology support for its customers. This strategy will securely facilitate enterprise mobile applications, increase support for telework, and drive long-term cost efficiencies through data center consolidation and expanded implementation of shared services.

DO continues to strengthen its governance through DO and an enterprise-wide investment review process. The investment review process is comprised of both senior business and technology leaders who help to ensure that all technology investment decisions align with the mission and goals of the Department. The investment review process helps the CIO prioritize opportunities for commodity IT and improved mission outcomes.

Non-Information Technology Capital Investments

The Main Treasury Building and Freedman's Bank Building, formerly the Treasury Annex, are the recipients of DO's major non-IT capital investments. The Treasury Building is the oldest departmental building and the third oldest federally occupied building in Washington, preceded only by the Capitol and the White House. The Main Treasury Building covers five stories and a raised basement and sits on five acres of ground. It was dedicated as a National Historic Landmark on October 18, 1972. The Freedman's Bank Building, also owned by the Department, is part of the Lafayette Square National Register Historic District. On January 7, 2016, the Treasury Department renamed the Treasury Annex building to mark the 150th anniversary of the Freedman's Savings and Trust Company (Freedman's Bank).

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

Cybersecurity Enhancement Account

FY 2017
President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

The Cybersecurity Enhancement Account (CEA) is a new dedicated account designed to bolster the Department’s cybersecurity posture and mitigate cybersecurity threats to the U.S. financial infrastructure.

1.1 – Appropriations Detail Table

Dollars in Thousands

Cybersecurity Enhancement Account	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
Appropriated Resources	Enacted		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Internal Revenue Service	0	0	0	0	35	62,084	35	62,084	0.00%	0.00%
Treasury-wide	0	0	0	0	45	47,743	45	47,743	0.00%	0.00%
Subtotal New Appropriated Resources	0	\$0	0	\$0	80	\$109,827	80	\$109,827	0.00%	0.00%
Total Budgetary Resources	0	\$0	0	\$0	80	\$109,827	80	\$109,827	0.00%	0.00%

1B – Vision, Priorities and Context

In recent years there have been an increasing number of cyberattacks on critical government systems and Treasury aims to mitigate this escalating risk by creating a centralized cybersecurity account. CEA supports the Treasury Department Strategic Goal 3 to “Fairly and effectively reform and modernize federal financial management, accounting, and tax systems,” Strategic Goal 4 to “Safeguard the financial system and use financial measures to counter national security threats,” and Strategic Goal 5 to “Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction.”

The creation of a centralized program and dedicated funding source for cybersecurity will enhance Department-wide coordination of cybersecurity efforts and improve the Department’s responsiveness to cybersecurity threats. It will also provide leadership with greater visibility into cybersecurity efforts and further encourage information sharing across Bureaus. The program will therefore improve the identification of cyber threats and better protect Treasury’s information systems from attack. With high-level leadership support, the program will also provide a platform to enhance efficiency, communication, collaboration, and transparency around a common goal—improving not only the cybersecurity of the Department of the Treasury, but also that of the nation’s financial sector.

The Deputy Secretary and Departmental Offices leadership will have oversight and input into the strategic direction of the CEA account, but the Treasury Department’s bureaus, will be authorized to use the account’s funding to implement bureau-specific initiatives that will improve the Department’s cybersecurity posture and mitigate cybersecurity threats to the U.S. financial infrastructure. With key leadership support of this centralized program, there will be a clear vision and one voice to ensure the entire Department is working towards a consistent path to enhancing cybersecurity.

In FY 2017, the program includes investments in two budget activities (Treasury-wide and the Internal Revenue Service (IRS)). Spending on existing activities remains in the base budgets of

each bureau. As the program matures, the goal is to integrate additional cybersecurity investments to fully leverage centralized cybersecurity leadership and expertise across the Department.

The \$48 million in Department-wide funding focuses on critical improvements to Treasury-wide systems including the Treasury Secure Data Network, the Fiscal Service Trusted Internet Connections, and the other systems that have been identified as High Values Assets. The investments focus on identifying and protecting information systems; detecting threat actors; and responding to and recovering from cyber incidents. A portion of the resources will also support a dedicated innovation fund for evolving high impact cyber investments throughout the Department.

The \$62 million in IRS investments focus on two main initiatives: Cyber Defense and e-Authentication. The enhancements are to existing systems and programs, as well as new CEA initiatives. The IRS will enhance the security of its overall networks via the use of a cyber threat forensics capability, implementation of a comprehensive patch management system, and the adoption of government-wide information security continuous monitoring (ISCM) tools as parts of a layered defense. The IRS has shut down numerous false IRS websites and phishing/malware sites. In this request, the IRS invests in the technology that allows for timely risk assessments, strong prevention techniques, and analysis of data that can identify and develop solutions for stolen identity theft refund fraud.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Cybersecurity Enhancement Account	FTE	Amount
FY 2016 Enacted	0	\$0
Program Changes		
Program Increases	80	\$109,827
IRS Program Increases		
Cyber Defense	16	\$54,732
e-Authentication	19	\$7,352
Treasury-wide Program Increases		
Pooled Innovation Fund for Evolving High Impact Cyber Investments	0	\$10,000
Encrypt Sensitive Data at Rest and in Motion	0	\$7,440
User Access Controls for Sensitive Applications	0	\$5,727
Digital Infrastructure Security Team	22	\$5,000
Digital Infrastructure Security Team (existing DO S&E program funded in the CEA)	6	\$2,000
Treasury Secure Data Network (TSDN) System Upgrades and Security Enhancements	4	\$4,717
Detect System Vulnerabilities and Unauthorized Data Transfers	0	\$3,360
Enhance Incident Response and Forensics Capabilities	0	\$2,325
Proactive Cyber Risk and Threat Identification	3	\$2,098
Mitigate Cyber Threats to U.S. Financial Infrastructure	8	\$1,651
Proxying Capability at the Fiscal Service Trusted Internet Connections (TICs) for Encrypted Traffic Inspection	0	\$1,375
IT Cybersecurity Enhancements (existing DO S&E program funded in the CEA)	2	\$1,050
Web Domain Encryption	0	\$1,000
Subtotal Program Changes	72	\$106,777
Total FY 2017 Estimated	80	\$109,827

2A – Budget Increases and Decreases Description

Program Increases.....+\$106,777,000/ +72 FTE

IRS Program Increases:

Cyber Defense +\$54,732,000 / +16 FTE

Provides a set of capabilities that protect the agency's sensitive data and enhances the security posture of its IT infrastructure.

- Secure Data - \$2,210,000 / +5 FTE - prevents, detects, and eliminates vulnerabilities associated with taxpayer, employee, and other sensitive but unclassified data;
- Enhanced External Site Reviews - \$2,995,000 / +1 FTE - conducts contractor site reviews (lockbox banks, credit card processing sites, tax assessment organizations, etc.) to validate that security controls are in place;
- Continuous Monitoring - \$35,404,000 / +7 FTE - allows the IRS to improve its continuous monitoring functions to identify and respond to emerging cyber threats in real-time or near real-time by implementing a consistent, government-wide set of ISCM tools; and
- Cyber Preparedness - \$14,123,000 / +3 FTE- provides a comprehensive incident response capability for planning, evaluating, testing, and maintaining the cyber resilience of mission critical IRS operations and their enabling technologies.

e-Authentication +\$7,352,000 / +19 FTE

Resources for e-Authentication (eAuth) will allow the IRS to continue developing authentication capabilities and access controls required to expand the use of mobile devices, cloud computing, and collaborative technologies. This project will fund the design and implementation of a common service to verify user identity, register individuals, and provide and validate their credentials for

ongoing system access. These capabilities will improve fraud detection and prevention through the suppression of unauthorized or suspicious user activity and will deter identity theft with a wider use of multi-factor authentication.

Treasury-wide Program Increases:

Pooled Innovation Fund for Evolving High Impact Cyber Investments +\$10,000,000 / +0 FTE

Treasury's bureaus and offices have varied missions where one organization may be targeted by a malicious actor or perceive a potential vulnerability prior to the rest of the Department. This may surface as an emerging threat vector that is critical to address. To ensure that these new and ever-evolving threats can be rapidly addressed before they are exploited, Treasury requests resources for a pooled innovation fund designed for Department-wide high impact cyber initiatives.

Treasury leadership will manage the fund, to include receiving solicitations from across the Department and managing and dispersing resources based on criteria and need at Treasury offices and bureaus.

Encrypt Sensitive Data at Rest and in Motion +\$7,440,000 / +0 FTE – In addition to protecting information residing on HVAs through access control, Treasury has also identified several opportunities to protect these systems' data at rest and in motion. This initiative area would support strong encryption of data at rest within HVA databases as well as encrypt data in transit via email and public-facing websites. This would also enable secure cloud computing by establishing a cloud environment certified at the Federal Risk and Authorization Management Program's (FedRAMP) High security baseline. This initiative will also protect sensitive data through enhanced deployment of application firewalls and expanded user awareness training, which would lessen the risk of malicious and unintentional data breaches, respectively.

Digital Infrastructure Security Team +\$7,000,000 / +28 FTE

The FY 2016 Consolidated Appropriations Act provides \$2,000,000 and six FTE in the Departmental Offices (DO) Salaries and Expenses (S&E) account to establish a Digital Infrastructure Security Team (DIST), which will form a centralized cohort of web/cyber experts to define, design and build Treasury's digital services centered on these four goals:

- Build a digital services team that works across the Treasury Enterprise;
- Ensure the safe and secure delivery and use of digital services and protect information and privacy;
- Develop secure and user-friendly applications to improve service delivery to Treasury's customers; and
- Enhance Treasury's products and services to more rapidly and cost effectively deliver secure shared services.

Because of the Treasury-wide cybersecurity focus of this initiative, Treasury proposes to fund this initiative in the CEA in FY 2017. In addition, to build on the \$2,000,000 provided in the FY 2016 Consolidated Appropriations Act in the Departmental Offices (DO) Salaries and Expenses (S&E) account, Treasury requests an additional \$5,000,000 and 22 FTE, which will form a centralized cohort of web/cyber experts to protect and transform Treasury's digital services. They will have a specific focus on a secure system that promotes ease of use and system cost-effectiveness, as well as possesses a robust virtual cybersecurity infrastructure to protect Treasury's cyber assets, especially those assets with the greatest impact to citizens. Treasury's digital government strategy will continue to be guided by four principles:

- Prioritizing the safe and secure delivery and use of digital services and protecting information and privacy;
- Enabling secure access to high-quality digital government information and services anywhere, anytime, on any device;
- Unlocking the power of government data to spur innovation and improve the quality of services; and
- Procuring and managing secure devices, applications, and data in smart and affordable ways. The digital service experts on the team will bring best practices in the disciplines of cybersecurity, design, software engineering, and product management to bear on the agency's most important services. Treasury will increase operational and technical controls related to essential digital services functions, including security and privacy oversight, web application security, vulnerability assessment, predictive intelligence analysis, privacy analysis, and security coding and testing. This initiative will protect the data and infrastructure that supports U.S. citizens, while improving accessibility and maintaining transparency.

User Access Controls for Sensitive Applications +\$5,727,000 / +0 FTE

Funding will strengthen the identification and authentication requirements for users logging on to individual Treasury applications. Strengthening these systems will decrease the likelihood that an intruder on the network would be able to access sensitive information regarding the public, the economy, and the Treasury workforce that is housed in these applications by implementing strong authentication at both the application level and the network level for applications identified as HVAs.

Treasury Secure Data Network (TSDN) System Upgrades and Security Enhancements +\$4,717,000 / +4 FTE

This investment will fund critical improvements to the TSDN in three areas:

- Treasury requests hardware and technical support to transform TSDN into a private cloud at a remote data center. Through virtualization, the network will be more secure and will facilitate faster patching of newly-discovered vulnerabilities. Replacing this aging hardware with a cloud-based model will also improve mission productivity for system users, who are carrying out Treasury's most sensitive functions;
- This investment will increase incident response after-hours system maintenance and improve identification of anomalous and/or malicious behaviors. This investment in hardware, software, technical support and FTE will increase the NOC/SOC capabilities for the TSDN and will enhance security monitoring of the TSDN perimeter to a level commensurate with the system's sensitivity; and
- This request will provide advanced toolsets for automated monitoring, as well as a dedicated analyst to review outputs from these toolsets. These capabilities will enable better detection of anomalous internal TSDN traffic, such as unauthorized attempts to access information and suspicious exfiltration of data. These additional safeguards will also enable compliance with several areas of Executive Order 13587, which instructs agencies operating classified networks to appropriately share and safeguard classified information on computer networks.

Detect System Vulnerabilities and Unauthorized Data Transfers +\$3,360,000 / +0 FTE

The longer a breach goes unnoticed, the higher the probability that its severity will increase. For this reason, detection of anomalous and/or malicious activity must be spotted quickly. Increased deployment of data loss prevention tools to Treasury's sensitive enterprise information systems will improve the Department's ability to detect unauthorized access of information and track its movement across the network. Additionally, Treasury will adopt advanced intrusion detection

methods and systems used by credit card companies to detect anomalous behavior to improve Treasury's ability to detect malicious actors within its networks.

Enhance Incident Response and Forensics Capabilities +\$2,325,000 / +0 FTE

In the event that malicious activity is discovered on Treasury's networks, rapid response to and recovery from said activity is largely reliant on being able to examine past network traffic to understand where the adversary has traveled within the network, what information has been compromised, and how to mitigate and minimize the damage. Treasury needs to extend its retention of key data sources in order to support forensics and investigations of cyber incidents. Treasury seeks to enhance its respond and recover capabilities by extending network traffic capture and increase its capacity to aid bureaus during cyber incident investigations. This will result in a faster response and recovery time in the event of a cyberattack.

Proactive Cyber Risk and Threat Identification +\$2,098,000 / + 3 FTE

The foundation of a strong cybersecurity program is proper identification of risk and threat vectors, and appropriate documentation of those risks and threats to enable decision making. This will be accomplished in part through strong security assessment and authorization of enterprise systems. Treasury will also establish a dedicated group of security experts to validate that systems have been engineered and developed securely from the outset. Additionally, this group will carry out penetration tests to uncover vulnerabilities in Treasury's systems before they are discovered or exploited by adversaries.

Mitigate Cyber Threats to U.S. Financial Infrastructure +\$1,651,000 / +8 FTE

Treasury requests funds and personnel to expand Treasury's capabilities to promote the security and resilience of the financial services sector. (Treasury is the sector-specific lead agency under Presidential Policy Directive 21: Critical Infrastructure Security and Resilience.) The request will allow Treasury and its partners, including other federal agencies, to expand work with the financial services sector to improve the sharing of cybersecurity information, promote the use of best practices, and respond to cyber incidents.

- **Information Sharing.** Over the past several years, malicious cyber activity has increased, and the financial services sector has been one of the major areas of concern. The number and extent of threats to financial services networks has grown significantly. To guard against these threats, it is vital to share timely and actionable cybersecurity information among the public and private sectors. Working closely with the Department of Homeland Security, the Federal Bureau of Investigation, and the Intelligence Community, Treasury develops timely and actionable information sharing products tailored specifically to the financial services sector. However, Treasury needs to expand and enhance its efforts to match the rapid increase in malicious cyber activity;
- **Best Practices.** Treasury also is responsible for promoting the use of best practices among the financial services sector. These best practices help improve baseline security levels. Treasury works to ensure that the needs and interests of the financial services sector are represented as such guidelines are developed and communicates opportunities for firms to participate in their development directly or through trade associations or consortia. Treasury requires additional specialized staff with knowledge or experience from the financial services sector who are experienced in how to engage the wider financial services community in the development, implementation, and promotion of voluntary cybersecurity standards and best practices in the sector and can operate from Treasury's neutral perspective of promoting security, but not a specific technology; and

- **Incident Response.** Treasury is responsible for coordinating with firms and other agencies to respond to significant cyber incidents affecting the financial services sector. The number of significant cyber incidents impacting the financial services sector continues to rise. Therefore, Treasury must expand its capabilities to plan for and respond to major incidents through a strong and growing cybersecurity exercise program for the financial services sector and the development of appropriate incident response plans.

Proxying Capability at the Fiscal Service Trusted Internet Connections (TICs) for Encrypted Traffic Inspection +\$1,375,000 / +0 FTE

Internet traffic is increasingly composed of encrypted messages that Treasury is unable to scan for threats. The procurement of additional hardware, software and Fiscal Service support will allow for 100 percent inspection of all in-bound and out-bound encrypted internet traffic and support compliance with Data Loss Prevention (DLP) policies

IT Cybersecurity Enhancements +\$1,050,000 / +2 FTE

The FY 2016 Consolidated Appropriations Act provides \$1,050,000 and two FTE in the DO S&E account for security enhancements to classified networks and expansion of DO's Wireless Intrusion Prevention System. Because of the cybersecurity focus of this initiative, Treasury proposes to fund this initiative in the CEA in FY 2017.

Web Domain Encryption +\$1,000,000 / +0 FTE

This request meets compliance requirements for the OMB mandate M-15-13, requiring that all publically accessible federal websites and web services only provide service through a secure connection. Treasury will use these funds to ensure compliance of all new services and websites, as well as complete the transition of legacy sites.

2.2 – Operating Levels Table

Dollars in thousands

Cybersecurity Enhancement Account	FY 2015	FY 2016	FY 2017
Object Classification	Operating Plan	Request	Request
11.1 - Full-time permanent	0	0	10,293
11.5 - Other personnel compensation	0	0	162
11.9 - Personnel Compensation (Total)	0	0	10,455
12.0 - Personnel benefits	0	0	3,018
Total Personnel and Compensation Benefits	\$0	\$0	\$13,473
21.0 - Travel and transportation of persons	0	0	232
22.0 - Transportation of things	0	0	7
23.1 - Rental payments to GSA	0	0	75
23.3 - Communication, utilities, and misc charges	0	0	210
24.0 - Printing and reproduction	0	0	7
25.1 - Advisory and assistance services	0	0	14,245
25.2 - Other services	0	0	33,030
25.3 - Other purchases of goods & serv frm Govt accounts	0	0	6,077
25.4 - Operation and maintenance of facilities	0	0	88
25.6 - Medical care	0	0	13
25.7 - Operation and maintenance of equip	0	0	247
26.0 - Supplies and materials	0	0	21
31.0 - Equipment	0	0	42,021
32.0 - Land and structures	0	0	81
Total Non-Personnel	0	0	96,354
Subtotal New Appropriated Resources	\$0	\$0	\$109,827
Budget Activities:			
Internal Revenue Service	0	0	62,084
Treasury-wide	0	0	47,743
Total Budgetary Resources	\$0	\$0	\$109,827
FTE	0	0	80

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY DEPARTMENTAL OFFICES <i>Federal Funds</i></p> <p style="text-align: center;">CYBERSECURITY ENHANCEMENT ACCOUNT (INCLUDING TRANSFER OF FUNDS)</p> <p><i>For salaries and expenses for enhanced cybersecurity for systems operated by the Department of the Treasury \$109,827,000, to remain available until September 30, 2019: Provided, That amounts made available under this heading shall be in addition to other amounts available to Treasury offices and bureaus for cybersecurity: Provided further, That amounts made available under this heading may be obligated and expended through allocation accounts available to individual offices and bureaus.</i></p>	

2C – Legislative Proposals

Cybersecurity Enhancement has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Cybersecurity Enhancement Account (CEA)

(\$109,827,000 from direct appropriations):

The purpose of CEA is to strategically mitigate cybersecurity risks through the creation of a centralized program with Department-wide impact.

Cybersecurity. Cybersecurity provides for the protection of all IT assets at the Department including information, systems, networks, and processes relying on those assets. Due to the increasing number and sophistication of cyberattacks, Treasury leadership has prioritized cybersecurity through the creation of a new program and budget activity. Because this is a request for a new program in FY 2017, current spending on these activities remains in the base budgets of each bureau.

Description of Performance:

Projects within Cybersecurity align to one or more Strategic Goals, including Goal 3 “Fairly and effectively reform and modernize federal financial management, accounting, and tax systems,” Goal 4 “Safeguard the financial system and use financial measures to counter national security threats,” and Goal 5 “Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction.” With the exception of the project to mitigate cybersecurity threats to U.S. financial infrastructure, all have the common purpose of strengthening the security of Treasury’s IT assets. Additionally, these projects will ensure compliance with both OMB and Executive Orders involving the security of government information technology assets. To achieve these objectives, Treasury will need to strategically procure hardware and software, streamline business processes while expanding security monitoring, and ensure accountability at all levels. Performance measures exist internally and Treasury will work with OMB to select measures to report externally upon approval of this request.

Section 4 – Supplemental Information

4A – Summary of Capital Investments

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

Department-wide Systems and Capital Investments Program

FY 2017
President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

The Department-wide Systems and Capital Investments Program (DSCIP) is authorized to be used by or on behalf of the Department of the Treasury’s bureaus, at the Secretary’s discretion, to improve infrastructure, modernize business processes, and increase efficiency through technology investments.

1.1 – Appropriations Detail Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program Appropriated Resources	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
	Enacted		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Department-wide Systems and Capital Investments Program	0	2,725	0	5,000	0	5,000	0	0	0.00%	0.00%
Subtotal New Appropriated Resources	0	\$2,725	0	\$5,000	0	\$5,000	0	\$0	0.00%	0.00%
Total Budgetary Resources	0	\$2,725	0	\$5,000	0	\$5,000	0	\$0	0.00%	0.00%

1B – Vision, Priorities, and Context

DSCIP supports the Treasury strategic goal to “Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction” by enabling the Department to make investments in capital improvements that support the missions of all Treasury bureaus and programs. In recent years, DSCIP investments have supported cybersecurity, enterprise content management, the Office of Financial Innovation and Transformation, and the Main Treasury Building and the Freedman’s Bank Building (formerly the Treasury Annex building). The current DSCIP request proposes funding for Digital Accountability and Transparency Act (DATA Act) requirements and the renovation of Treasury buildings.

Section 2 – Budget Adjustments and Appropriations Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program	FTE	Amount
FY 2016 Enacted	0	\$5,000
Changes to Base		
Non-Recurring Costs	0	(\$5,000)
Zero-Based Budget	0	(\$5,000)
Subtotal Changes to Base	0	(\$5,000)
Total FY 2017 Base	0	\$5,690
Program Changes		
Program Increases	0	\$5,000
Digital Accountability and Transparency Act	0	\$3,000
Renovation of Treasury Buildings	0	\$2,000
Subtotal Program Changes	0	\$5,000
Total FY 2017 Request	0	\$5,000

2A – Budget Increases and Decreases Description

Non-Recurring Costs **-\$5,000,000 / +0 FTE**

Zero-Base Budget -\$5,000,000 / +0 FTE

In the FY 2016 Consolidated Appropriations Act, \$650,000 was provided for South Plaza Restoration of the Main Treasury Building. Also, \$4,350,000 was provided to support mission-critical Treasury functions by investing in computing resources and security infrastructure. Investments are geared to meet the demand from multiple entities for the architecture needed to support big data.

Program Increases **+\$5,000,000 / +0 FTE**

Digital Accountability and Transparency Act +\$3,000,000 / +0 FTE

This investment will support Department and bureau specific development, modification, and integration of attributes to address gaps at the transaction level for interfaces and help to ensure that the Department and all bureaus have resources to meet the minimum requirements for the DATA Act. While, the Department expects bureaus to undertake data validation, data stewardship, and data maintenance activities, this funding will be used to establish a data repository at the Department level. More specifically, the investment will support the expansion of the Enterprise Data Management infrastructure to ensure that bureaus can leverage the repository for their own data analytics and uses.

Renovation of Treasury Buildings +\$2,000,000 / +0 FTE

Treasury requests \$2,000,000 to stabilize the bridge that connects the motor pool entrance to the Main Treasury Building. Employees and contractors use the driveway under the bridge to access vehicle and bicycle parking, deliver equipment and mail, and for trash removal. The bridge poses a safety risk in its current condition.

2.2 – Operating Levels Table

Dollars in Thousands

Department-wide Systems and Capital Investments Program Object Classification	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
25.0 - Other contractual Services	0	200	0
25.1 - Advisory and assistance services	0	600	0
25.2 - Other services	1,500	600	3,000
25.3 - Other purchases of goods & serv frm Govt accounts	0	50	0
25.7 - Operation and maintenance of equip	0	1,500	0
26.0 - Supplies and materials	0	100	0
31.0 – Equipment	0	1,300	0
32.0 - Land and structures	1,225	650	2,000
Total Non-Personnel	2,725	5,000	5,000
Subtotal New Appropriated Resources	\$2,725	\$5,000	\$5,000
Budget Activities:			
Department-wide Systems and Capital Investments Program	2,725	5,000	5,000
Total Budgetary Resources	\$2,725	\$5,000	\$5,000
FTE	0	0	0

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p>DEPARTMENT OF THE TREASURY DEPARTMENTAL OFFICES <i>Federal Funds</i></p> <p>DEPARTMENT-WIDE SYSTEMS AND CAPITAL INVESTMENTS PROGRAMS (INCLUDING TRANSFER OF FUNDS)</p> <p>For development and acquisition of automatic data processing equipment, software, and services; and for repairs and renovations to buildings owned by the Department of the Treasury, \$5,000,000, to remain available until September 30, [2018] 2019: Provided, That these funds shall be transferred to accounts and in amounts as necessary to satisfy the requirements of the Department's offices, bureaus, and other organizations [: Provided further, That none of the funds appropriated under this heading shall be used to support or supplement "Internal Revenue Service, Operations Support" or "Internal Revenue Service, Business Systems Modernization"]. (Department of the Treasury Appropriations Act, 2016.)</p>	<p>The Administration proposes to remove the language regarding IRS limitations, so that the DSCIP DATA Act request may support IRS implementation of the DATA Act.</p>

2C – Legislative Proposals

The DSCIP has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Department-wide Systems and Capital Investments Program

(\$5,000,000 from direct appropriations):

The purpose of DSCIP funds is to improve infrastructure, modernize business processes, and increase efficiencies within Treasury and across the Government through capital investment.

Department-wide Information Technology Systems. The FY 2016 Consolidated Appropriations Act provided \$4,350,000 to support mission-critical Treasury functions by investing in computing resources and security infrastructure. Investments are geared to meet the demand from multiple entities for the architecture needed to support big data. This environment will:

- Enable secure access to a platform with the highest security threshold of the Federal Information Security Management Act of 2002 (FISMA) framework, containing Federal information and services anywhere, anytime.
 - Create a secure gateway so that Treasury users can transverse across various internal and external networks to do their work.
 - Unlock the power of data through enhanced analytic capabilities to ensure the availability of secure services.
- As a result, Treasury will provide secure shared services access to FISMA High enclaves while maintaining a rigorous security posture to solutions and services required for Treasury users to achieve Treasury's mission.

Description of Performance:

Treasury has begun two internal studies to determine best strategies for full implementation of the Data Leakage Protection System (DLPS). It is expected that the \$1.5 million, enacted in FY 2015 for DLPS, will be fully obligated in FY 2016.

Treasury Building - Repairs and Renovations. The Main Treasury Building and the Freedman's Bank Building (formerly the Treasury Annex) are owned by the Department and are Departmental Offices' capital investments. The age and historical significance of the Main Treasury Building and the Freedman's Bank Building create special conditions that do not exist in many other Federal office facilities. Continual upkeep, with close attention to historic preservation, is necessary in order to continue occupying these buildings. Funds in the amount of \$650,000 were provided for in the FY 2016 Consolidated Appropriations Act to complete repairs to the South Plaza to correct deterioration to the paver stones and underlying setting bed that were causing an unstable walking surface and a hazard to employees that could have caused serious injury.

Description of Performance:

Window Repair and Replacement: To date, the bulk of the effort has been dedicated to preparing a scope of work for the Main Treasury window repair and replacement effort. Extensive surveys have been conducted to determine the range of damage and deterioration at each window location. Repair and replacement options have been explored to determine what approach best meets the needs of both keeping the building in a fully operational status and meeting the unique guidelines associated with this national historic landmark. With this criterion, the effort has also focused on improved energy efficiency and life-cycle cost considerations. The contract is expected to be awarded and work to begin by late spring 2016.

Rain Leader Repair: Contracts are in place for select rain leader repairs and the restoration of areas that have undergone water damage. Work began in early FY 2016.

3.1.1 – Department-wide Systems and Capital Investments Program Budget Activity Budget and Performance Plan

Dollars in Thousands

Department-wide Systems and Capital Investments Program Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Enacted	Request
Appropriated Resources	\$9,544	\$3,992	\$0	\$0	\$2,725	\$2,725	\$5,000	\$5,000
Budget Activity Total	\$9,544	\$3,992	\$0	\$0	\$2,725	\$2,725	\$5,000	\$5,000

Section 4 – Supplemental Information

4A – Summary of Capital Investments

The FY 2017 DSCIP funding requests support Departmental Offices capital investments as well as some bureau IT investments.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-Investments.aspx>

This website also contains a digital copy of this document.

Office of Inspector General

FY 2017

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Section 1 – Purpose

1A – Mission Statement

The mission of the Office of Inspector General (OIG) is to promote the integrity, efficiency, and effectiveness in programs and operations within the Department of the Treasury and across the OIG's jurisdiction.

1.1 – Appropriations Detail Table

Dollars in Thousands

Office of Inspector General Appropriated Resources	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
	Enacted		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Audit	163	28,275	163	28,304	163	29,605	0	1,301	0.00%	4.60%
Investigations	31	7,076	31	7,112	31	7,439	0	327	0.00%	4.60%
Subtotal New Appropriated Resources	194	\$35,351	194	\$35,416	194	\$37,044	0	\$1,628	0.00%	4.60%
Other Resources:										
Reimbursables	19	13,000	19	13,000	19	10,500	0	(2,500)	0.00%	-19.23%
Subtotal Other Resources	19	\$13,000	19	\$13,000	19	\$10,500	0	(\$2,500)	0.00%	-19.23%
Total Budgetary Resources	213	\$48,351	213	\$48,416	213	\$47,544	0	(\$872)	0.00%	-1.80%

1B – Vision, Priorities, and Context

The OIG performs audits and investigations of Treasury programs and operations under its jurisdiction, except for those of the Internal Revenue Service (IRS) and the Troubled Asset Relief Program (TARP), and keeps the Secretary of the Treasury and Congress fully informed of problems, deficiencies, and the need for corrective action. By statute, the OIG also performs oversight of the Gulf Coast Ecosystem Restoration Council, an independent Federal agency.

The OIG has four components: (1) Office of Audit, (2) Office of Investigations, (3) Office of Counsel, and (4) Office of Management. The OIG is headquartered in Washington, D.C., and has an audit office in Boston, Massachusetts.

-The Office of Audit, under the leadership of the Assistant Inspector General for Audit, performs and supervises audits, attestation engagements, and evaluations. The Assistant Inspector General for Audit has three deputies. One is primarily responsible for financial sector audits; one is primarily responsible for financial management, terrorist financing, and intelligence audits; and one is primarily responsible for cyber security and financial assistance audits. The Assistant Inspector General for Audit also serves as the Special Deputy Inspector General for Small Business Lending Fund (SBLF) Program Oversight.

-The Office of Investigations, under the leadership of the Assistant Inspector General for Investigations, performs investigations and conducts initiatives to detect and prevent fraud, waste, and abuse in Treasury programs and operations under OIG jurisdiction. It also manages the Treasury OIG Hotline to facilitate reporting of allegations involving Treasury programs and activities.

-The Office of Counsel, under the leadership of the Counsel to the Inspector General, provides legal advice to the Inspector General and all OIG components. The office represents the OIG, or coordinates such representation, in all legal proceedings and provides a variety of

legal services including (1) processing all Freedom of Information Act and other requests for information about government employees; (2) conducting ethics training; (3) ensuring compliance with financial disclosure requirements; (4) reviewing proposed legislation and regulations; (5) reviewing administrative subpoena requests; and (6) preparing for the Inspector General's signature, cease and desist letters to be sent to persons and entities misusing the Treasury seal and name.

-The Office of Management, under the leadership of the Assistant Inspector General for Management, provides services to maintain the OIG administrative infrastructure.

Through the audit and investigative functions, the OIG supports the Department of the Treasury's Fiscal Year (FY) 2014-2017 Strategic Plan goals, which are: Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system; Goal 2: Enhance U.S. competitiveness and job creation, and promote international financial stability and more balanced global growth; Goal 3: Fairly and effectively reform and modernize Federal financial management, accounting, and tax systems; Goal 4: Safeguard the financial system and use financial measures to counter national security threats; and Goal 5: Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction. In support of Treasury's Strategic Plan, the OIG established the following strategic goals.

- Promote the integrity, efficiency, and effectiveness of programs and operations across Treasury OIG's jurisdictional boundaries through audits and investigations
- Proactively support and strengthen the ability of programs across Treasury OIG's jurisdictional boundaries to identify challenges and manage risks
- Fully and currently inform stakeholders of Treasury OIG findings, recommendations, investigative results, and priorities
- Enhance, support, and sustain a workforce and strengthen internal operations to achieve the Treasury OIG mission, vision, and strategic goals

The FY 2017 request for the OIG will be used to fund critical audit, investigative, and mission support activities to meet the requirements of the Inspector General Act of 1978, and other statutes including, but not limited to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank); Federal Information Security Modernization Act (FISMA); Government Management Reform Act; Improper Payments Elimination and Recovery Act; Digital Accountability and Transparency Act of 2014 (DATA Act); Federal Deposit Insurance Act, Small Business Jobs Act of 2010; and Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). Specific mandates include audits of the Department's financial statements, the Department's compliance with FISMA, failed insured depository institutions regulated by Treasury, and spending data submitted by the Department to USAspending.gov. With the resources available after mandated requirements are met, the OIG will conduct audits of the Department's highest risk programs and operations, and respond to stakeholder requests for specific work as appropriate. Some of the Department's highest risk programs and operations include: (1) Cyber Threats, (2) Management of Treasury's Authorities Intended to Support and Improve the Economy, (3) Efforts to Promote Spending Transparency and to Prevent and Detect Improper

Payments, (4) Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement, and (5) Gulf Coast Restoration Trust Fund Administration.

Cyber Threats

Cybersecurity represents one of the most serious challenges facing the Nation today. A reliable critical infrastructure, including information systems and networks, is vital to our national security and economic stability. Cyber threats are a persistent concern as Treasury's information systems are critical to the core functions of government and the Nation's financial infrastructure. As cyber threats continue to evolve and become more sophisticated and subtle, they pose an ongoing challenge for Treasury to fortify and safeguard its internal systems and operations and the financial sector it oversees.

Attackers frequently exploit vulnerable networks in a string of trusted connections to gain access to government systems. Cyber-attacks against Federal agencies are increasing in frequency and severity. For example, the recent cyber-attacks against the Office of Personnel Management's networks allowed intruders access to personal data on tens of millions of people, including millions with security clearances.

Effective public-private coordination continues to be required to address the cyber threat against the Nation's critical infrastructure. In this regard, Treasury is looked upon to provide effective leadership to financial institutions in particular, and the financial sector in general, to strengthen awareness and preparedness against cyber threats.

Management of Treasury's Authorities Intended to Support and Improve the Economy

Congress provided Treasury with broad authorities to address the financial crisis under the Housing and Economic Recovery Act (HERA) and the Emergency Economic Stabilization Act (EESA) enacted in 2008, the American Recovery and Reinvestment Act of 2009 (Recovery Act), and the Small Business Jobs Act of 2010. In response to the call for further financial reform, Congress passed Dodd-Frank in July 2010. While Treasury's program administration under these acts has, for the most part matured, challenges remain in managing these programs and their investments.

This challenge focuses on the administration of the following broad authorities given to Treasury:

- Dodd-Frank established the Financial Stability Oversight Council (FSOC), which is chaired by the Treasury Secretary. FSOC's mission is to identify risks to financial stability that could arise from the activities of large, interconnected financial companies; promote market discipline; and respond to any emerging threats to the financial system.
- The Small Business Jobs Act of 2010 created SBLF within Treasury through which \$4 billion was invested in financial institutions intended to increase the availability of credit to small businesses. It also provided \$1.5 billion to Treasury to allocate to eligible state programs through the State Small Business Credit Initiative (SSBCI). These programs represent key initiatives of the Administration to support job creation by increasing lending to small businesses.
- The Small Business Jobs Act also provided Treasury with authority to guarantee bonds issued for eligible community and economic development activities. As the program administrator, Treasury's Community Development Financial Institutions (CDFI) Fund

experienced challenges in standing up the program, which was eventually established in June 2013. Treasury's CDFI Fund oversees the issuance of the bonds and the use of the bond proceeds by eligible CDFIs to make financing more accessible in underserved communities.

- Under the HERA, Treasury supports the financial solvency of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) which are under the conservatorship of the Federal Housing Finance Agency. To maintain the positive net worth of these two government sponsored enterprises (GSE), Treasury has invested approximately \$187 billion in senior preferred stock in the two enterprises. While the GSEs have not required additional support since fiscal year 2012, their futures remain uncertain and further assistance may be required. If such support is needed, the current funding capacity available to Fannie Mae is \$117.6 billion and available to Freddie Mac is \$140.5 billion
- The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided Treasury with approximately \$30 billion in non-IRS funding for low-income housing and specified energy properties for which OIG provides oversight. The level of risk involved in this program is evidenced by the fact that our Office of Investigations has several open matters involving program participants.

Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments

The Digital Accountability and Transparency Act of 2014 (DATA Act) requires the Federal Government to provide consistent, reliable, and useful online data about how it spends taxpayer dollars.

To fulfill its purpose, the DATA Act imposed certain requirements on the Treasury Secretary, the Director of the Office of Management and Budget (OMB), the Inspectors General of each Federal agency, and the Comptroller General of the United States. In brief, the DATA Act required Treasury and OMB to (1) establish Government-wide financial data standards for reporting spending by Federal agencies and entities receiving Federal funds by May 2015; (2) by May 2017, ensure this financial data is accurately posted and displayed on USAspending.gov, or a successor system; and (3) by May 2018, ensure the data standards established are applied to the data made available on the website. Implementing the DATA Act is a complex undertaking requiring a significant level of interagency coordination and cooperation to develop, establish, and apply new financial data standards and to develop new data handling methodologies within a short timeframe.

In light of the continuing problem with improper payments (estimated at \$125 billion, or 4.5 percent of all program outlays, for fiscal year 2014), the Federal Government has intensified efforts to reduce improper payments in major Federal programs. The Do Not Pay Initiative, and the Treasury Bureau of the Fiscal Service's (Fiscal Service) Do Not Pay Business Center, are chief components of efforts designed to prevent and detect improper payments to individuals and entities. With its potential to reduce improper payments, the Do Not Pay Program is a major and important undertaking by Fiscal Service and Treasury.

Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement

Preventing criminals and terrorists from using financial networks to sustain their operations and/or launch attacks against the U.S. continues to be a challenge. Treasury's Office of Terrorism and Financial Intelligence (TFI) is dedicated to disrupting the ability of terrorist

organizations to fund their operations. TFI brings together intelligence gathering and analysis, economic sanctions, international cooperation, and private-sector cooperation to identify donors, financiers, and facilitators supporting terrorist organizations, and disrupt their ability to fund such organizations. Enhancing the transparency of the financial system is one of the cornerstones of this effort. Treasury carries out its responsibilities to enhance financial transparency through the laws collectively known as the Bank Secrecy Act (BSA). The Financial Crimes Enforcement Network (FinCEN) is the Treasury bureau responsible for administering BSA, while Treasury's Office of Foreign Assets Control (OFAC) administers U.S. foreign sanction programs. Given the criticality of this challenge to the Department's mission, and notwithstanding the efforts described above, we continue to consider anti-money laundering and combating terrorist financing programs and operations as inherently high-risk.

Gulf Coast Restoration Trust Fund Administration

In response to the Deepwater Horizon oil spill, Congress enacted the RESTORE Act. This law established within Treasury the Gulf Coast Restoration Trust Fund (Trust Fund) and requires Treasury to deposit into the Trust Fund 80 percent of administrative and civil penalties paid by responsible parties pursuant to the Federal Water Pollution Control Act (Clean Water Act). The funds are to be distributed for environmental and economic restoration activities affecting the Gulf Coast States (Alabama, Florida, Louisiana, Mississippi, and Texas). As of December 2015, the Trust Fund received approximately \$816 million from the Federal Government's settlement with the Transocean defendants. In July 2015, BP Exploration & Production Inc. (BPXP), agreed to settle with the Federal Government and the Gulf Coast States resulting in approximately \$4.4 billion plus interest expected to be deposited into the Trust Fund over a 15-year period. Now that a more definitive amount and timing of the money that will flow into the Trust Fund has been determined, Treasury, the Gulf Coast States, and impacted local governments are challenged to meet the intent of the Act within the expected funding levels and timing of payments

In the Investigations operational area, OIG has established four priorities for FY 2017.

Criminal and Serious Employee Misconduct

The OIG Office of Investigation's highest priority is investigating complaints involving alleged criminal and other serious misconduct by Treasury employees. OIG investigates allegations of the general crimes enumerated in Title 18 of the U.S. Code, other federal crimes, alleged violations of the Ethics in Government Act, and allegations of serious misconduct prohibited by the Standards of Ethical Conduct for Employees of the Executive Branch. Several Treasury bureaus and offices have additional rules and regulations relating to ethical standards for their own employees, and OIG also investigates complaints of alleged violations of these rules and regulations.

Fraud Involving Contracts, Grants, Guarantees, and Funds

The OIG Office of Investigations conducts investigations into allegations of fraud and other crimes involving Treasury contracts, grants, loan guarantees, and federal funds, including investigations made in accordance with Sections 1602 and 1603 of the Recovery Act. Such allegations often involve contractors, entities, and individuals who are providing or seeking to provide goods or services to the Department. Office of Investigations receives complaints

alleging criminal or other misconduct from employees, contractors, members of the public, and the Congress.

Financial Programs and Operations Crime

Investigations relating to Treasury financial programs and operations involve issuing licenses, providing benefits, and exercising oversight of U.S. financial institutions; frauds involving improper Federal payments such as those involving Treasury checks and the *Check Forgery Insurance Fund* (“CFIF”); crimes involving the improperly-redirected benefits of federal government payees; and false claims of any kind that generate inappropriate Federal payments, including federal income tax refunds, Social Security benefits, and Veterans’ Administration payments.

Threats Against Treasury Employees and Facilities

Investigative efforts into threats against Treasury employees and facilities are critical in ensuring safety for the Department. These matters require prompt attention and coordination with federal, state, and local authorities in order to protect those involved.

Treasury Employee and Bureau Impersonation Scams

Investigations relating to scammers who represent themselves as Treasury employees in order to defraud the citizens of the U.S. and other countries by the impersonation of Treasury employees and/or the fraudulent use of the Treasury and Bureau seals. This is a problem that has significantly increased in the last few years. These matters require prompt attention to protect the public and the integrity of the department.

Key Accomplishments and Challenges

In FY 2015, the Office of Audit completed 86 audit products, exceeding the target of 77. The Office also completed all mandated audit products within required timeframes. The audit products identified a number of areas where the Department needs to strengthen its controls. The Office plans to complete 77 audit products in FY 2016 and complete 86 in FY 2017, and to meet all statutory timeframes. In FY 2015 the Office of Investigations exceeded the investigative performance measure, and expects to continue this performance trend in FYs 2016 and 2017. In FY 2015, the Office opened 133 new investigations, closed 70 investigations, referred 27 investigations that substantiated administrative violations against a Treasury employee to the appropriate regulated bureau for action, and referred 142 investigations for criminal prosecution.

Treasury is a complex agency with many programs and operations that are vital to the Nation’s economic and national security. Many of these programs and operations are thinly resourced and OIG is often the only Treasury presence providing on-site verification and quality control. The implementation of newer authorities and regulatory changes brought about by major legislation to address the economic crisis and other events—such as Dodd-Frank, the RESTORE Act, and the DATA Act—continue to evolve. OIG must remain vigilant and have the capacity to provide independent assessments of the Department’s activities to stand up and bring to a mature state new offices and programs. OIG must also be able to respond in an expedient and effective manner to unanticipated and emerging issues of significant impact to the Department.

Office of Inspector General's FY 2017 Budget Request

In accordance with the requirements of Section 6(f)(1) of the Inspector General Act of 1978, the Treasury Inspector General submits the following information relating to the OIG's requested budget for FY 2017:

- The aggregate budget request for the operations of the OIG is \$47,544,000 comprised of \$37,044,000 from direct appropriations, and \$10,500,000 from reimbursable collections;
- The portion of this amount needed for OIG training is \$600,000; and
- The portion of this amount needed to support the Council of Inspectors General on Integrity and Efficiency (CIGIE) is \$111,000.

The amount requested for training satisfies all OIG training needs for FY 2017.

Section 2 – Budget Adjustments and Appropriations Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Office of Inspector General	FTE	Amount
FY 2016 Enacted	194	\$35,416
Changes to Base		
Maintaining Current Levels (MCLs)	0	\$508
Pay-Raise	0	\$269
Pay Annualization	0	\$89
Non-Pay	0	\$150
Subtotal Changes to Base	0	\$508
Total FY 2017 Base	194	\$35,924
Program Changes		
Program Increases	0	\$1,120
DATA Act and Other Audit Workload	0	\$1,120
Subtotal Program Changes	0	\$1,120
Total FY 2017 Request	194	\$37,044

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$508,000 / +0 FTE

Pay-Raise +\$269,000 / +0 FTE

Funds are requested for the proposed January 2017 pay-raise.

Pay Annualization +\$89,000 / +0 FTE

Funds are requested for annualization of the January 2016 pay-raise.

Non-Pay +\$150,000 / +0 FTE

Funds are requested for non-labor costs such as travel, contracts, rent, and equipment.

Program Increases +\$1,120,000 / +0 FTE

DATA Act and Other Audit Workload +\$1,120,000 / +0 FTE

Funds are requested for anticipated increase in DATA Act and other audit workload.

2.2 Operating Levels Table

Dollars in Thousands

Office of Inspector General Object Classification	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
11.1 - Full-time permanent	18,000	21,565	21,750
11.3 - Other than full-time permanent	200	200	200
11.5 - Other personnel compensation	500	600	550
11.8 - Special personal services payments	750	875	750
11.9 - Personnel Compensation (Total)	19,450	23,240	23,250
12.0 - Personnel benefits	6,550	5,800	5,900
Total Personnel Compensation and Benefits	\$26,000	\$29,040	\$29,150
21.0 - Travel and transportation of persons	532	550	550
23.1 - Rental payments to GSA	2,000	2,460	435
23.2 - Rental payments to others	460	0	0
23.3 - Communication, utilities, and misc charges	800	1,000	1,000
23.5 - Telecommunication	0	0	0
24.0 - Printing and reproduction	26	26	19
25.2 - Other services	8,000	10,965	12,515
25.3 - Other purchases of goods & serv frm Govt accounts	3,400	3,800	3,300
25.6 - Medical care	50	50	50
25.7 - Operation and maintenance of equip	100	125	125
26.0 - Supplies and materials	100	100	100
31.0 - Equipment	600	300	300
Total Non-Personnel	16,068	19,376	18,394
Subtotal New Appropriated Resources	\$42,068	\$48,416	\$47,544
Budget Activities:			
Audit	34,992	41,304	40,105
Investigations	7,076	7,112	7,439
Total Budgetary Resources	\$42,068	\$48,416	\$47,544
FTE	161	213	213

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY FISCAL SERVICE Federal Funds SALARIES AND EXPENSES</p> <p>For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, [\$35,416,000] \$37,044,000, including hire of passenger motor vehicles; of which not to exceed \$100,000 shall be available for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General of the Treasury; of which up to \$2,800,000, to remain available until September 30, [2017] 2018, shall be for audits and investigations conducted pursuant to section 1608 of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (33 U.S.C. 1321 note)[; and of which not to exceed \$1,000 shall be available for official reception and representation expenses]. (Department of the Treasury Appropriations Act, 2016.)</p>	

2C – Legislative Proposals

The OIG has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Audit

(\$29,605,000 from direct appropriations, and \$10,500,000 from reimbursable resources):

The Office of Audit conducts audits intended to ensure the accountability of resources, protect information, and provide recommendations for improving the integrity, economy, efficiency, and effectiveness of programs and operations under its jurisdiction, which include those of Treasury and the Gulf Coast Ecosystem Restoration Council. The requested funding for FY 2017 is necessary to perform mandated work and maintain an appropriate level of oversight of these programs and operations consistent with the OIG's responsibilities under the Inspector General Act of 1978. In FY 2017, OIG will also continue to provide oversight of Treasury's government-wide role and responsibilities under the DATA Act. Reimbursable funding agreements support financial audits of Treasury and oversight of SBLF and SSBCI programs. SBLF/SSBCI program oversight and expected performance is detailed in the SBLF/SSBCI Program Office budget submission.

Description of Performance:

The Office plans to complete 77 audit products in FY 2016, and 86 in FY 2017. In FY 2015, the Office of Audit completed 86 audit products, exceeding the target, and met all statutory audit timelines. Audit products include audit reports, evaluation reports, the Inspector General's Semi-Annual Reports to the Congress, and the Inspector General's annual memoranda to the Secretary of the Treasury and the Secretary of Commerce, as the designated Chairperson of the Gulf Coast Ecosystem Restoration Council, on the most significant management and performance challenges facing the Department and Gulf Coast Ecosystem Restoration Council, respectively. Audit products can also include responses to specific information requests by the Congress. By completing independent and timely assessments of programs and operations under its jurisdiction, the Office supports the OIG's mission of promoting efficiency, effectiveness, and integrity of those programs and operations. The recommendations for improvement in programs and operations noted through OIG's assessments directly support the Treasury Department in achieving its strategic goals and the Gulf Coast Ecosystem Restoration Council in meeting its mission.

The OIG has a mature audit operation that uses historical performance to estimate future performance. It has, over time, demonstrated agility at redirecting resources as necessary to address new challenges and mandates of its stakeholders.

In keeping with the OIG's strategy to maintain a highly skilled and motivated workforce, the OIG plans and executes a meaningful body of work designed to help ensure the integrity and effectiveness of programs and operations across its jurisdiction while looking for opportunities to improve them.

3.1.1 – Audit Budget Activity Budget and Performance Plan

Dollars in Thousands

Audit Budget Activity								
Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources	\$19,721	\$22,435	\$22,823	\$21,630	\$27,050	\$28,275	\$28,304	\$29,605
Other Resources	\$6,300	\$6,300	\$10,000	\$13,200	\$12,000	\$13,000	\$13,000	\$10,500
Budget Activity Total	\$26,021	\$28,735	\$32,823	\$34,830	\$39,050	\$41,275	\$41,304	\$40,105

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Number of Completed Audit Products	68	126	91	72	75	86	75	77	86
Percent of Statutory Audits Completed by the Required Date	50.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Key: DISC - Discontinued

3B – Investigations

(\$7,439,000 from direct appropriations):

The Office of Investigations prevents, detects, and investigates complaints of fraud, waste, and abuse. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office of Investigations refers its cases to the Department of Justice, state or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

With the increased risk of the Recovery Act grant programs for low-income housing and specific energy properties, the Office of Investigations faces greater challenges and anticipated increases in grant fraud. In addition, with the establishment of Gulf Coast Restoration Trust Fund outreach efforts are being made in an effort to prepare for future investigative referrals and complaints aimed at suspected fraud involving the funds with this program.

Additionally, the Office of Investigations remains committed to investigating benefit, payment and other monetary fraud associated with the programs and operations of the Treasury Department.

Description of Performance:

In FY 2015 the Office of Investigations exceeded the Investigative Performance Measure target, and opened 133 new investigations, and closed 70 investigations. The OIG also referred 27 investigations that substantiated administrative violations against a Treasury employee to the appropriate regulated bureau for action. In addition, the OIG referred 72 investigations for criminal prosecution. The Investigative performance measure is a percentage of all cases closed by Office of Investigations during the fiscal year referred to Department Bureaus for administrative action or for criminal or civil prosecution by Federal or local prosecutors. The goal for Office of Investigations is that at least 80 percent of closed cases meet the

aforementioned criteria of closed cases in this fiscal year. Meeting or exceeding this goal demonstrates that Office of Investigations is responsive to allegations and complaints referred to Office of Investigations and that when these referrals require investigation, the cases are timely, thoroughly and accurately reported to assist the Department in maintaining the integrity of its programs and operations, subsequently ferreting out fraud, waste, and abuse.

3.1.2 – Investigations Budget and Performance Plan

Dollars in Thousands

Investigations Budget Activity

Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Enacted	Request
Appropriated Resources	\$6,831	\$6,702	\$6,818	\$6,461	\$7,750	\$7,076	\$7,112	\$7,439
Budget Activity Total	\$6,831	\$6,702	\$6,818	\$6,461	\$7,750	\$7,076	\$7,112	\$7,439

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percentage (%) of All Cases Closed During Fiscal Year that were Referred for Criminal/Civil Prosecution or Treasury Administrative Action	93.0	85.0	91.0	84.0	84.0	87.0	80.0	80.0	80.0

Key: DISC - Discontinued

Section 4 – Supplemental Information

4A – Summary of Capital Investments

The OIG does not have any IT or Non-IT Capital Investments.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at: <http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

Special Inspector General for TARP

FY 2017
President's Budget Submission

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

To advance economic stability through transparency, coordinated oversight, and robust enforcement related to the Troubled Asset Relief Program (TARP).

1.1 – Appropriations Detail Table

Dollars in Thousands

Special Inspector General for TARP Appropriated Resources	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
	Enacted		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Audit	75	9,243	50	8,870	48	8,644	(2)	(226)	-4.00%	-2.55%
Investigations	117	24,991	142	31,801	136	32,516	(6)	715	-4.23%	2.25%
Subtotal New Appropriated Resources	192	\$34,234	192	\$40,671	184	\$41,160	(8)	\$489	-4.17%	1.20%
Other Resources:										
Unobligated Balances from Prior Years	0	10,957	0	6,495	0	3,790	0	(2,705)	0.00%	-41.65%
Available PPIP Funds	0	965	0	928	8	1,548	8	620	0.00%	66.81%
Subtotal Other Resources	0	\$11,922	0	\$7,423	8	\$5,338	8	(\$2,085)	0.00%	-28.09%
Total Budgetary Resources	192	\$46,156	192	\$48,094	192	\$46,498	0	(\$1,596)	0.00%	-3.32%

1B – Vision, Priorities, and Context

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) was created by Congress to protect taxpayers who funded the TARP from fraud, waste, and abuse through SIGTARP oversight and audits, and through investigations to combat fraud and other crime. SIGTARP is a white-collar law enforcement agency with the authority to search, seize, and arrest. Fraud prevention and law enforcement are at the heart of SIGTARP's mission. Congress aligned SIGTARP's sunset with the length of time TARP funds or commitments are outstanding. TARP's Home Affordable Modification Program will continue to at least 2023.

In accordance with the requirements of section 6(f)(1) of the Inspector General Act of 1978, as amended, SIGTARP submits the following information related to the FY 2017 budget request:

- The aggregate budget request for the operations of SIGTARP is \$41,160,000;
- The portion of this amount needed for SIGTARP training is \$356,000; and
- The portion of this amount needed to support the Council of the Inspectors General on Integrity and Efficiency is estimated at \$111,000.

Strategic Goals and Objectives

SIGTARP supports and complements the Department of the Treasury's Strategic Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system. In particular, through its oversight, audits, and investigations related to TARP; SIGTARP supports Objective 1.1: Promote savings and increased access to credit and affordable housing options, and Objective 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability.

Additionally, through its audits, quarterly reports to Congress, and open and transparent communication with Congress, SIGTARP supports Treasury's Strategic Goal 5: Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction. Through audits, quarterly reports to Congress and expedient responses to inquiries from Congress, SIGTARP supports Objective 5.4: Create a culture of service through relentless pursuit of customer value.

FY 2017 Priorities

SIGTARP audits and reports protect TARP dollars and programs and can help detect potential fraud, waste, and abuse

SIGTARP has always used a combination of audits and investigations to protect TARP for taxpayers. Protecting the more than \$450 billion bailout dollars obligated for 12 different TARP programs, and enforcing the law, is a daunting challenge. SIGTARP accepts that challenge the only way it knows how to. SIGTARP gets smart about out-of-the-ordinary TARP programs that evolve and span different industries. SIGTARP recommends ways for Treasury to reduce vulnerabilities, and SIGTARP conducts criminal investigations.

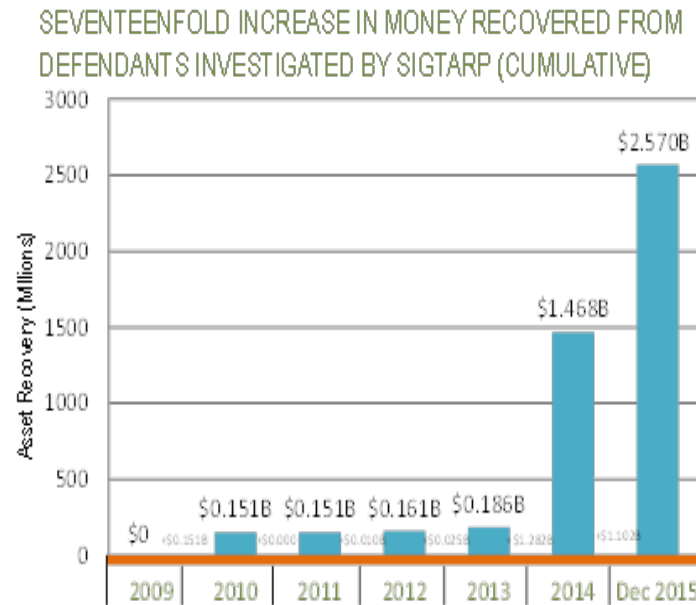
SIGTARP develops ways to find TARP-related crime, a task that is not easy, and has evolved as the definition of TARP-related crime keeps changing and spans different industries. As TARP has shifted away from Treasury investments in large institutions, SIGTARP has shifted its audit and oversight work to focus on looking for vulnerabilities in TARP to fraud, waste, and abuse, or improper payments, in ongoing TARP programs. This is in addition to SIGTARP's efforts to make these programs more effective and efficient. For example, as Treasury has approved \$433 million in TARP to seven states for the demolition of vacant houses, and approved \$153 million in TARP funds to first-time homebuyers, both new activities in TARP, SIGTARP through audit and oversight work is protecting that money and those programs, recently making 23 recommendations to reduce vulnerabilities in both subprograms.

With each SIGTARP audit and report, SIGTARP protects additional TARP dollars and TARP programs. New activities under TARP also require SIGTARP to develop new investigative strategies. With \$18.5 billion remaining to be spent on TARP housing programs, it is critical that SIGTARP continue to protect those programs.

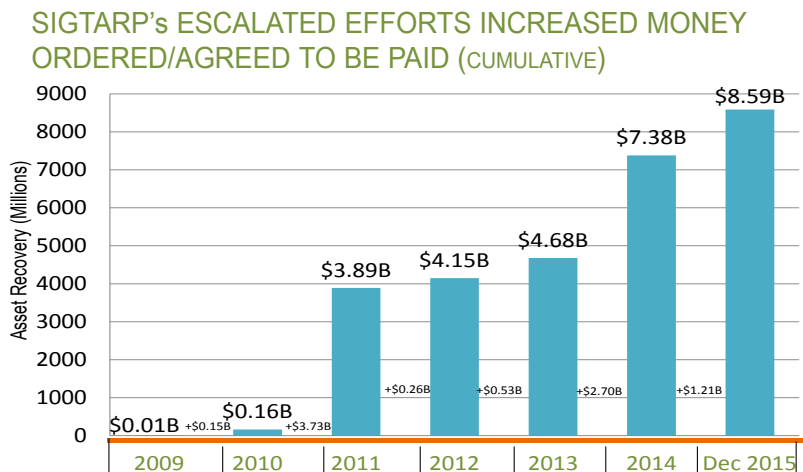
SIGTARP's audit and oversight work also helps detect fraud, waste, and abuse. SIGTARP recently created a forensic auditing unit to provide better insight into fraud, waste, and abuse. SIGTARP expects that unit to make public recommendations to reduce vulnerabilities and generate non-public leads for SIGTARP's confidential investigative work.

Actual recoveries from SIGTARP investigations are \$2.57 billion in addition to immediate government cost savings of \$553 million in TARP

SIGTARP is ensuring that TARP crime does not pay by taking the profit out of crime. SIGTARP has escalated its efforts and realized a seventeen fold increase in recovered funds lost to TARP crime or civil violations of the law, a crucial component of long-term recovery from the crisis. SIGTARP has already assisted in recovering \$2.57 billion through its investigations that has been paid back to the government or other victims, which is more than 10 times the amount that has been appropriated to SIGTARP.



SIGTARP anticipates even more financial recovery for the government and other victims. SIGTARP's investigations have resulted in court orders and government agreements for \$8.59 billion to be returned to the government or other victims.



Having already assisted in the recovery of \$2.57 billion of these funds, it is SIGTARP's priority to pursue additional recoveries from the remaining \$6.02 billion including by finding additional assets.

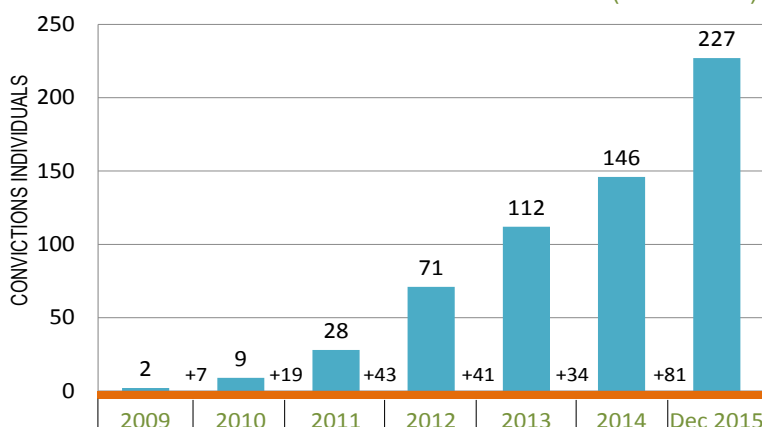
SIGTARP's investigation of Colonial Bank resulted in an immediate savings of \$553 million in TARP funds that Treasury had already approved to invest in the bank. Based on SIGTARP's communications with Treasury, Treasury stopped the TARP money just prior to disbursement. Colonial Bank did not receive the \$553 million in TARP funds that Treasury approved, all of which would have been lost when the bank failed. SIGTARP's audit and oversight work also

has a net positive impact, though the calculation of that benefit is inherently imprecise and its impact is difficult to measure.

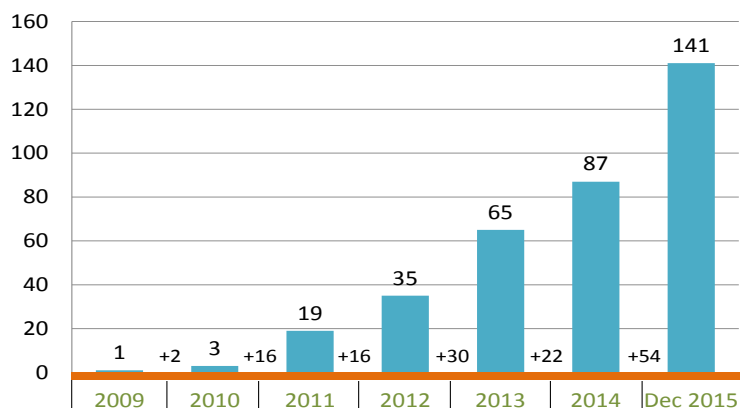
More than 300 defendants investigated by SIGTARP have been charged with crimes, More than 200 defendants investigated by SIGTARP have been convicted of crimes related to the government's response to the financial crisis known as TARP, and More than 100 of these defendants have been sentenced to prison for their crimes

SIGTARP has reached three significant milestones: 1) More than 300 (329) defendants that SIGTARP investigated have been charged with TARP-related crimes — more than four times the number charged in the past three years; 2) More than 200 (227) defendants that SIGTARP investigated have been convicted of TARP-related crimes — almost tripling the number convicted in the past three years; and 3) More than 100 (141) defendants that SIGTARP investigated have been sentenced to prison for their crimes related to TARP. The number of defendants sentenced to prison nearly quadrupled — 35 to 141 defendants — in three years. Sentencing follows years of SIGTARP's investigations and criminal prosecution. SIGTARP expects that number to rise. There are 50 additional defendants that SIGTARP investigated who have already been convicted of their crimes and await sentencing by the court.

CRIMINAL CONVICTIONS RESULTING FROM RAMP UP IN SIGTARP'S SUPPORT OF PROSECUTING (CUMULATIVE)



INCREASE IN DEFENDANTS INVESTIGATED BY SIGTARP WHO WERE SENTENCED TO PRISON (CUMULATIVE)



These showcase the difference SIGTARP can make by combining forces with the prosecutors in the Department of Justice (DOJ) and its other law enforcement partners. As a law enforcement team standing firm together against bailout-related crime, SIGTARP is bringing more accountability and justice to reprehensible crimes related to the government's extraordinary action funded by taxpayers in TARP.

SIGTARP has been increasingly successful in identifying and investigating TARP-related crime, ramping up its law enforcement efforts in the last few years. This ramp up is a direct consequence of successful prosecutions based on SIGTARP's work. With each prosecution, SIGTARP gains significant expertise in how to uncover and unravel TARP-related crime and obtain the evidence DOJ needs to prosecute defendants successfully.

SIGTARP has much more to do in the fight against TARP bailout-related crime as it reaches a turning point investigating crime inside TARP banks and supporting prosecutions of TARP bankers

SIGTARP has much more to do in the fight against TARP-bailout related crime. SIGTARP is only on the cusp of bringing justice through prosecutions in its highest-priority cases — crime inside TARP banks. Only 11 of the 141 defendants sentenced to prison so far are TARP bankers (along with six of their co-conspirators).

Recently, SIGTARP had three critical victories when three trials ended with both juries convicting a TARP bank officer investigated by SIGTARP

On March 26, 2015, following a six-week trial, a federal jury found senior officer Ebrahim Shabudin, a senior officer of TARP recipient United Commercial Bank (UCB) guilty on all counts in “one of the largest criminal prosecutions brought the Department of Justice of wrongdoing by bank officers arising out of the 2008 financial crisis,” (as described by DOJ). Shabudin's conviction along with the criminal conviction of Senior Vice President Thomas Yu and CFO Craig On, came after five years of SIGTARP and its law enforcement partners finding and unravelling a hidden financial fraud scheme at a TARP-recipient bank with a magnitude of losses exceeding half a billion dollars. UCB was the first TARP bank to fail and the ninth largest bank to fail since 2007, causing losses of more than \$300 million to TARP and \$677 million to the Federal Deposit Insurance Corporation (FDIC).

The following week, on April 3, 2015, after a five-day trial, another federal jury found David Weimert, senior officer of Anchor Bank, a TARP recipient, guilty on five counts of fraud, another prime example of SIGTARP's recently growing success finding and prosecuting fraud by TARP bankers. The successful investigation and prosecution represents another critical victory in SIGTARP's fight against TARP bailout-related crime.

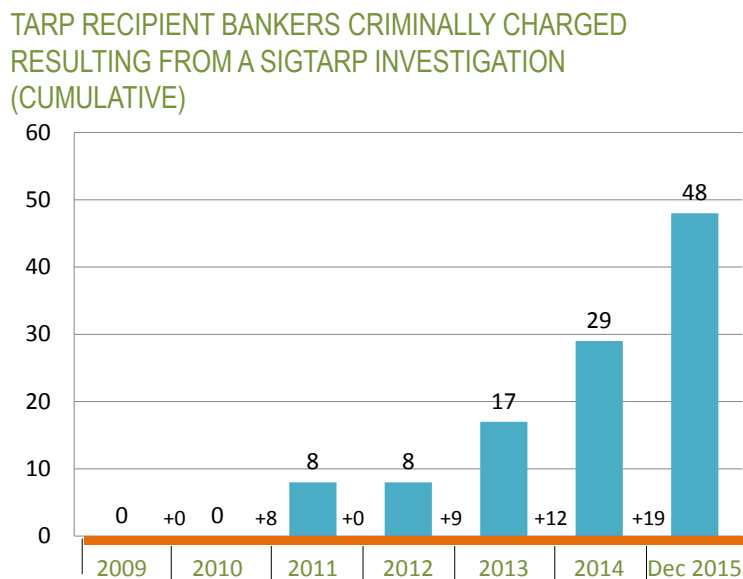
On December 17, 2015, a jury returned guilty verdicts for the chairman of failed TARP bank Premier Bank and his wife (senior officer and general counsel of Premier Bank), who SIGTARP investigated. These two TARP bankers were found guilty of defrauding First Midwest Bank, which was also a TARP bank, during the crisis by submitting false information to the bank in workout agreement after they defaulted on an \$8 million loan they obtained in 2009 from First Midwest Bank.

It is SIGTARP's mission to ensure that no TARP banker gets away with a crime that hurts a TARP bank, no matter the size of the fraud.

Unlike other TARP-related crime, it has been a much harder road for SIGTARP to bring results against TARP bank officers where the fraud is concealed under layer upon layer of secrecy, and the bank often looks healthier than it is because the TARP capital covers losses that would otherwise be exposed. Unlike the savings and loan crisis where investigators received thousands of referrals from regulators to develop patterns and criminal clues, it is rare for SIGTARP to receive a referral from regulators or tips from whistleblowers. Without that assistance of those with access inside the bank, SIGTARP has worked to overcome a steep learning curve to find hidden fraud.

While it took time, SIGTARP honed its expertise in finding crime inside a TARP bank. Since the beginning of fiscal year (FY) 2013, SIGTARP has produced more results. SIGTARP's investigations have now resulted in criminal charges against 48 TARP bankers as it gained greater expertise with each case, leading SIGTARP to find and unravel fraud at TARP banks even with no whistleblower or regulatory referral. SIGTARP has gotten smarter about how to look behind false books by learning with each bank case how insiders at banks conceal their crime. SIGTARP anticipates the number of criminal charges and convictions of TARP bankers to rise through and beyond FY 2017.

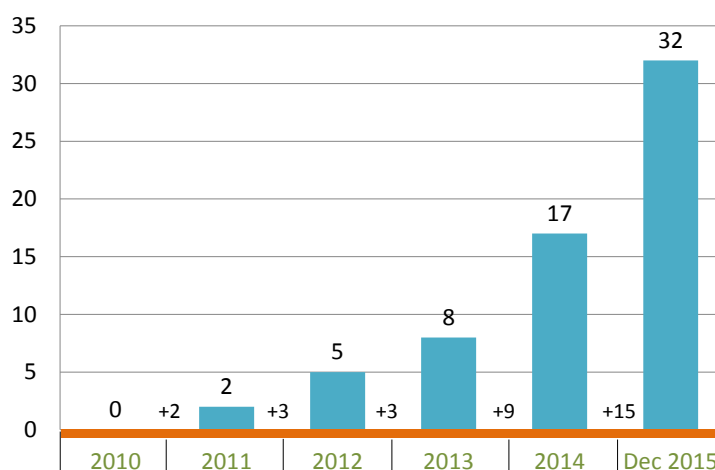
The chart below shows SIGTARP's escalating ability to investigate crime by TARP bankers to the point where prosecutors bring criminal charges.



Criminal charges are the first step to bring justice. SIGTARP works with the end in mind — conviction and sentencing. It is the important role of SIGTARP to ensure that prosecutors have all of the evidence to prove guilt beyond a reasonable doubt. In some cases, the case will go to trial and SIGTARP plays an integral part during the trials. SIGTARP agents or investigators testify at some trials. SIGTARP's work supporting prosecutions has been very successful, with

escalating results as cases reach the trial stage or guilty plea. As the chart below shows, 32 of the 48 charged TARP bankers investigated by SIGTARP have already been convicted of their crime.

TARP RECIPIENT BANKERS CONVICTED RESULTING FROM A SIGTARP INVESTIGATION (CUMULATIVE)



Because TARP is complex, SIGTARP criminal investigations take time; trials take time; sentencings take time. But holding criminals accountable and deterring future crime is worth it. Sentences in SIGTARP cases average 59 months — substantially more than the 36-month average for white-collar crime — indicating the complexity, damage, reach, and sophistication of the criminal schemes SIGTARP uncovers.

Larger Operating Environment

SIGTARP's strategy to shift organization and staffing to meet mission critical priorities

Increase the number of Criminal Investigation Series (1811) special agents

In FY 2015, SIGTARP began embarking on a strategy to increase its number of 1811 special agents. The first part of that strategy was to identify vacancies throughout SIGTARP and convert many of those to 1811 positions. Other offices throughout SIGTARP are being asked to make do with fewer personnel.

Increase audit focus on risk in TARP housing programs

With \$18.5 billion left to be spent on ongoing TARP housing programs, SIGTARP has developed a strategy to find vulnerabilities to fraud, waste, and abuse and find areas of inefficiencies through a revamped SIGTARP Audit Division. SIGTARP's audit work is heavily focused on the critical work that is needed to oversee \$37.5 billion in TARP housing programs. Beginning in mid-2013, Treasury expanded TARP activities on the demolition of vacant properties. In FY 2014, these demolitions started and Treasury increased its allocation to \$433 million by adding a seventh state recipient. SIGTARP works hard to identify vulnerabilities. SIGTARP recently issued an audit finding that the demolition strategy, decisions, and activities are done by contractors and subcontractors far removed from Treasury, whose identity is unknown to Treasury, with little information flowing to Treasury

Creation of forensic audit group

In addition, to be more aligned with other offices of inspectors general, SIGTARP created a forensic audit group with more particularized analytical skill sets and experience to protect against fraud, waste, and abuse related to the TARP housing programs including Blight Elimination.

Other savings

In order to be fiscally responsible, in FY 2015, SIGTARP made other cost-cutting measures that will result in cost savings now and in the future. SIGTARP reclassified 42 positions from needing top-secret clearance to secret clearance. This change will bring in future years, including FY 2017, tighter controls over those with access to top-secret information and is projected to result in cost savings. SIGTARP also recognized information technology cost savings from Treasury.

Loss of direct hire

A challenge to SIGTARP's mission is the expiration of its direct hiring authority. SIGTARP's ability to staff is adversely impacted by the absence of direct hire authorization. As a temporary agency, attrition has always been a problem for SIGTARP.

SIGTARP is an agency in the process of growing. SIGTARP is at the mid-point of being able to fulfill its law enforcement responsibilities and its oversight of TARP to prevent fraud, waste, and abuse. SIGTARP is committed to fighting fraud and other crime in TARP and using what it learns in audits and investigations to make recommendations aimed at reducing vulnerabilities to fraud, waste, and abuse. SIGTARP is leaving TARP and the financial system safer than it found it. SIGTARP has much more it can do and must do. There is more to come.

Section 2 – Budget Adjustments and Appropriations Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Special Inspector General for TARP	FTE	Amount
FY 2016 Enacted	192	\$40,671
Changes to Base		
Maintaining Current Levels (MCLs)	0	\$588
Pay-Raise	0	\$303
Pay Annualization	0	\$101
Non-Pay	0	\$184
Efficiency Savings	(8)	(\$99)
Technical FTE Adjustment	(8)	\$0
Efficiency Savings	0	(\$99)
Subtotal Changes to Base	(8)	\$489
Total FY 2017 Base	184	\$41,160
Total FY 2017 Request	184	\$41,160

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$588,000 / +0 FTE

Pay-Raise +\$303,000 / +0 FTE

Funds are requested for the proposed January 2017 pay-raise.

Pay Annualization +\$101,000 / +0 FTE

Funds are requested for annualization of the January 2016 pay-raise.

Non-Pay +\$184,000 / +0 FTE

Funds are requested for non-labor costs such as travel, contracts, rent, and equipment.

Efficiency Savings -\$99,000 / -8 FTE

Technical FTE Adjustment -\$0 / -8 FTE

The technical FTE adjustment reduces the appropriated FTE level but does not reduce SIGTARP's overall FTE levels. The eight FTE will be absorbed in SIGTARP's PPIP fund to more accurately reflect work performed and prior-year usage.

Efficiency Savings -\$99,000 / -0 FTE

SIGTARP will reduce costs through efficiencies identified in technology investments.

2.2 – Operating Levels Table

Dollars in Thousands

Special Inspector General for TARP Object Classification	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
11.1 - Full-time permanent	16,530	20,318	21,788
11.3 - Other than full-time permanent	1,858	2,780	1,799
11.5 - Other personnel compensation	1,684	2,046	2,120
11.9 - Total personnel compensation	20,072	25,144	25,707
12.0 - Personnel benefits	5,904	6,710	8,184
Total Personnel Compensation and Benefits	\$25,976	\$31,854	\$33,891
21.0 - Travel and transportation of persons	876	912	1,000
23.2 - Rental payments to others	270	271	272
23.3 - Communication, utilities, and misc charges	100	115	103
24.0 - Printing and reproduction	172	161	162
25.1 - Advisory and assistance services	2,280	2,667	2,320
25.2 - Other services from non-Federal sources	346	283	333
25.3 - Other goods and services from Federal sources	10,737	10,969	7,491
25.6 - Medical care	103	75	100
25.7 - Operation and maintenance of equipment	38	58	48
26.0 - Supplies and materials	441	333	448
31.0 - Equipment	203	359	260
42.0 - Insurance claims and indemnities	0	27	60
91.0 - Unvouchered	0	10	10
Total Non-Personnel	15,566	16,240	12,607
Subtotal New Appropriated Resources	\$41,542	\$48,094	\$46,498
Budget Activities:			
Audit	7,893	10,266	9,440
Investigations	33,649	37,828	37,058
Total Budgetary Resources	\$41,542	\$48,094	\$46,498
FTE	150	192	192

Note: This table includes all available resources, including SIGTARP's annual appropriation and remaining no-year funds.

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM Federal funds SALARIES AND EXPENSES For necessary expenses of the Office of the Special Inspector General in carrying out the provisions of the Emergency Economic Stabilization Act of 2008 (Public Law 110-343) [\$40,671,000] <i>\$41,160,000</i> . (Department of the Treasury Appropriations Act, 2016.)	

2C – Legislative Proposals

SIGTARP has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Audit

(\$8,644,000 from direct appropriations):

The Audit budget activity supports SIGTARP’s priority of coordinated oversight by providing recommendations to Treasury to improve the effectiveness and efficiency of TARP programs, bringing transparency to decisions made in TARP, and preventing fraud, waste, and abuse. SIGTARP conducts, supervises, and coordinates programmatic audits of TARP without sacrificing the rigor of required methodology.

Description of Performance:

The performance measure “Number of Completed Audit Products” includes issuing audit products that promote the efficiency and effectiveness of TARP and prevent waste, fraud, and abuse. SIGTARP developed an audit plan using a risk-based planning process to identify projects that will provide the maximum benefit to TARP, Congress, and the taxpayers. The maximum benefit is to assure the general public that TARP funds are not expended by recipients or other entities on waste, fraud, or abuse.

Given the urgency of TARP, SIGTARP also initiates recommendations to improve TARP outside of an audit or evaluation. SIGTARP’s reports and recommendations raise awareness to obstacles that could stand in the way of TARP program effectiveness or efficiency and protect against fraud, waste and abuse.

SIGTARP’s complete listing of recommendations may be reviewed in their entirety at https://www.sigtar.gov/Quarterly%20Reports/January_28_2016_Report_to_Congress.pdf pages 48-69.

SIGTARP met its target of eight audit products for FY 2015. In recognition of the shift of increasing resources to law enforcement and to reflect expected results of the new forensic audit unit, SIGTARP is changing this target in FY 2016 to more accurately reflect the relationship between the Audit and Investigations activities. The new measure, “Number of Completed Audit Products including Referrals to Investigations Division” tracks the ties between the two activities and continues to measure the number of audit reports that promote the efficiency and effectiveness of the TARP. The target for this new metric is seven in FY 2016 and seven in FY 2017.

In FY 2015, SIGTARP added a new measure to track the responsiveness of information flow and transparency between SIGTARP and Congress. The measure “Percentage of Congressional Inquiries Responded to within 45 Days of Receipt” tracks SIGTARP’s promptness in providing developments of its oversight activities to Congress. In FY 2015, SIGTARP exceeded its 85 percent goal in all inquiries, responding within 45 days 100 percent of the time. SIGTARP’s targets are 85 percent for FY 2016 and 85 percent for FY 2017.

3.1.1 – Audit Budget Activity Budget and Performance Plan

Dollars in Thousands

Audit Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actuals	Actuals	Actuals	Actuals	Actuals	Enacted	Enacted	Request
Appropriated Resources	\$9,900	\$10,581	\$13,789	\$10,376	\$7,219	\$9,243	\$8,870	\$8,644
Other Resources	\$3,837	\$512	\$0	\$0	\$1,947	\$2,958	\$1,396	\$796
Budget Activity Total	\$13,737	\$11,093	\$13,789	\$10,376	\$9,166	\$12,201	\$10,266	\$9,440

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Number of Completed Audit Products (Units)	9	13	13	10	10	8	8	DISC	DISC
Number of Completed Audit Products including Referral to Investigations Division (Units)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7	7
Percentage of Congressional Inquiries Responded to within 45 Days of Receipt	N/A	N/A	N/A	N/A	N/A	85	85	85	85

Key: DISC – Discontinued

3B – Investigations

(\$32,516,000 from direct appropriations):

The Investigations budget activity supports SIGTARP’s priority of robust law enforcement of crimes and other violations of the law related to TARP. This activity supports and complements Treasury’s Strategic Goal 1: promote domestic economic growth and stability while continuing reforms of the financial system. In particular, the Investigations activity supports Objective 1.3: complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability by investigating cases of fraud and abuse related to TARP.

SIGTARP conducts criminal and civil investigations related to TARP using a staff of experienced investigators, including special agents, forensic agents, investigators, analysts, and investigative attorneys. In the interest of maximizing resources, SIGTARP coordinates closely with other law enforcement agencies, leveraging its unique position and expertise by forming law enforcement partnerships and task force relationships across federal and state governments.

Description of Performance:

SIGTARP is the Co-Chair of the Financial Institution Fraud Working Group of the President’s Financial Fraud Task Force. In FY 2015, “Percentage of Cases That are Joint Agency/Task Force Investigations” with other law enforcement agencies was just under 70 percent, exceeding the target of 50 percent. SIGTARP’s targets are 70 percent for FY 2016 and 70 percent for FY 2017.

During FY 2015, the “Percentage of Investigations Accepted for Consideration by Prosecutors,” including criminal or civil investigations that a federal, state, or local prosecutor has formally accepted for consideration for criminal prosecution or civil or administrative action was more than 95 percent, exceeding the target of 70 percent. This success is directly related to SIGTARP’s successful investigation of evidence and its support of prosecutions. SIGTARP will discontinue this performance metric in FY 2016 and replace it with “Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened.” The target for this new metric is 70 percent in FY 2016 and 70 percent in FY 2017.

During a preliminary investigation, an investigator gathers fundamental information to evaluate whether a potential case should be converted to a full investigation or if it should be closed. In FY 2015, “Percentage of Preliminary Investigations Converted to Full Investigations within 180 days” was 100 percent, exceeding the target of 70 percent. As SIGTARP has gained expertise in investigating TARP-related crime, it has efficiently leveraged its resources to handle its growing inventory and to expedite these investigations. As SIGTARP’s workforce has evolved, so has its ability to respond quickly to allegations and to devote the necessary resources. SIGTARP has involved prosecutors in preliminary investigations to ensure that allegations, if proven, will be prosecuted. The result is a greater number of preliminary investigations converted to full investigations within the 180-day timeframe. Based on these efficiencies, the target for this performance metric will increase to 80 percent in FY 2016 and 80 percent in FY 2017. SIGTARP will continue to prioritize leads and fraud allegations and make effective, informed decisions when opening preliminary investigations. In this manner, SIGTARP will ensure an appropriate commitment of investigative resources to sufficiently support all of its investigations.

As SIGTARP transitions to alternative means of uncovering TARP-related crimes, it is discontinuing “Percentage of Hotline Complaints Responded to or Referred for Investigation or Further Action within 14 Days of Receipt.” Instead, SIGTARP will measure the “Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome.” For this new metric, SIGTARP’s targets are 60 percent for FY 2016 and 70 percent for FY 2017.

3.1.2 – Investigations Budget and Performance Plan

Dollars in Thousands

Investigations Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actuals	Actuals	Actuals	Actuals	Actuals	Enacted	Enacted	Request
Appropriated Resources	\$13,339	\$25,433	\$25,618	\$29,230	\$27,382	\$24,991	\$31,801	\$32,516
Other Resources	\$6,408	\$1,492	\$920	\$1,516	\$5,656	\$8,964	\$6,027	\$4,542
Budget Activity Total	\$19,747	\$26,925	\$26,538	\$30,746	\$33,038	\$33,955	\$37,828	\$37,058

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome	N/A	N/A	N/A	N/A	N/A	N/A	N/A	60	70
Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened	N/A	N/A	N/A	N/A	N/A	N/A	N/A	70	70
Percentage of Cases That are Joint Agency/Task Force Investigations	50	40	65	79	76	70	50	70	70
Percentage of Hotline Complaints Responded to or Referred for Investigation or Further Action within 14 Days of Receipt	74	76	77	83	95	94	75	DISC	DISC
Percentage of Investigations Accepted for Consideration by Prosecutors	100	94	95	94	98	95	70	DISC	DISC
Percentage of Preliminary Investigations Converted to Full Investigations within 180 Days	80	88	77	82	96	100	70	80	80

Key: DISC - Discontinued

Section 4 – Supplemental Information

4A – Summary of Capital Investments

IT funding has been critical in enabling SIGTARP to fulfill its mission of transparency, coordinated oversight, and robust enforcement. SIGTARP uses the services provided by Treasury Departmental Offices and Government Security Operations Center as part of Treasury's headquarters operations. SIGTARP relies on the Treasury's Office of the Chief Information Officer and Departmental Offices Operations to provide a secure infrastructure that is fully capable of supporting the mission and administrative requirements of a completely functional, bureau-level government agency with the technology requirements appropriate to an audit and investigative organization.

SIGTARP's IT strategy continues with limited IT investments including updates, modifications, and maintenance and equipment refreshment, consistent with its role as a temporary agency. For FY 2017, SIGTARP expects only ongoing infrastructure charges for headquarters and for remote office operations and routine maintenance and enhancements and modifications of its existing systems required to support its mission. SIGTARP has no capital investments.

Non-Major IT Investment Summary

The non-major IT investments are for the acquisition, installation, integration, training, and modifications of mission-essential systems such as hotline information management, investigative case management, investigations database, investigations evidence network, counsel case management, forensic system management, SIGTARP website and intranet, video teleconferencing used primarily for investigative activity with field offices and headquarters, and asset management, which were established by SIGTARP because they were not provided by Treasury. SIGTARP migrated most of these systems to Treasury for hosting services and began to use Treasury's shared services offerings, including cloud computing for content management such as document management, Freedom of Information Act tracking, and records management.

A summary of capital investment resources, including major IT and non-IT investments, can be viewed/downloaded at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>.

This website also contains a digital copy of this document.

Treasury Inspector General for Tax Administration

FY 2017
President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

Provide quality professional audit, investigative, and inspection and evaluation services that promote integrity, economy, and efficiency in the administration of the Nation's tax system.

1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Inspector General for Tax Administration Appropriated Resources	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
	Enacted		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Audit	349	61,572	358	65,100	358	66,020	0	920	0%	1.41%
Investigations	486	96,638	501	102,175	501	103,614	0	1,439	0%	1.41%
Subtotal New Appropriated Resources	835	\$158,210	859	\$167,275	859	\$169,634	0	\$2,359	0%	1.41%
Other Resources:										
Reimbursables	2	1,500	2	1,500	2	1,500	0	0	0%	0.00%
Subtotal Other Resources	2	\$1,500	2	\$1,500	2	\$1,500	0	\$0	0%	0.00%
Total Budgetary Resources	837	\$159,710	861	\$168,775	861	\$171,134	0	\$2,359	0%	1.40%

1B – Vision, Priorities, and Context

The Treasury Inspector General for Tax Administration (TIGTA), an independent office within the Department of the Treasury, was created by Congress as a part of the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98).¹ TIGTA has a statutory mandate to provide oversight by conducting independent audit, investigative, and inspection and evaluation services necessary to improve the quality and credibility of Internal Revenue Service (IRS) operations, including oversight of the IRS Chief Counsel and the IRS Oversight Board. TIGTA conducts independent reviews and provides an unbiased perspective for improving the economy, efficiency, and effectiveness of IRS programs. TIGTA makes recommendations designed to improve the administration of the federal tax system; conducts administrative and criminal investigations of allegations of waste, fraud, and abuse; and helps to ensure that the IRS protects and secures taxpayers' data. TIGTA also has the unique responsibility of protecting the IRS and its employees.

TIGTA continues to be committed to its vision and mission, and to accomplishing its strategic goals and objectives. TIGTA safeguards the integrity and the public's trust and confidence in federal tax administration through the audits, investigations, and inspections and evaluations it conducts. TIGTA's role is important, given the current economic environment and the increased emphasis by the Administration, Congress, and the American people on the federal government's accountability and efficient use of resources.

¹ Pub. L. No. 105-206, 112 Stat. 685.

TIGTA Vision

Maintain a highly skilled, proactive, and diverse Inspector General organization dedicated to working in a collaborative environment with key stakeholders to foster and promote fair tax administration.

TIGTA's *Fiscal Year (FY) 2013 – 2016 Strategic Plan* guides program and budget activities and supports the Department of the Treasury's FY 2014-2017 Strategic Plan (the Plan), which includes Strategic Goal 3: "Fairly and effectively reform and modernize federal financial management, accounting, and tax systems."

TIGTA's vision is consistent with Objective 3.2 of the Plan, "Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. Government." Likewise, TIGTA's vision supports Objective 3.3 of the Plan, "Pursue tax reform, implement the Patient Protection and Affordable Care Act (ACA)² and the Foreign Account Tax Compliance Act (FATCA),³ and improve the execution of the Internal Revenue Code (IRC or tax code)."

TIGTA Strategic Goals

Promote the economy, efficiency, and effectiveness of tax administration.

Protect the integrity of tax administration.

Be an organization that values its people.

TIGTA's progress in meeting the strategic goal of valuing its people was demonstrated last year when the Partnership for Public Service announced the results of the 2015 *Best Places to Work* rankings. TIGTA placed 9 out of 320 agency subcomponents. The scoring index measured the performance of agency subcomponents with respect to employee satisfaction and commitment. Among all Treasury bureaus, TIGTA placed the highest in this ranking.

TIGTA's headquarters facility is in Washington, D.C., and TIGTA has 67 offices located throughout the United States and Puerto Rico. TIGTA is uniquely organized by function (Figure 1) to meet current tax administration challenges and to keep pace with emerging issues. These functions include:

- Office of Audit (OA) – This Office conducts audits and issues reports that advise the American people, Congress, the Secretary of the Treasury, and IRS management of high-risk issues relating to the administration of IRS programs and operations. TIGTA's audit recommendations aim to improve IRS systems and operations, while emphasizing fair and equitable treatment of taxpayers.
- Office of Investigations (OI) – This Office investigates external threats of violence against IRS employees and facilities and internal allegations of criminal and administrative misconduct by IRS employees and contractor. OI also conducts investigations to protect the

² Pub. L. No. 111-148, 124 Stat. 119, as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1012.

³ Hiring Incentives to Restore Employment Act of 2010, Title V, Pub. L. 111-147, 124 Stat. 71.

IRS against bribery attempts, impersonations, and external, cyber-based, and often globally-complex threats that would impede the IRS's ability to collect revenues and safeguard the processing of approximately 242 million returns annually.

- Office of Inspections and Evaluations (I&E) – This Office provides responsive, timely, and cost-effective inspections and evaluations of challenging areas in IRS programs. I&E's oversight activities include inspecting IRS's compliance with established system controls and operating procedures and evaluating IRS operations for high-risk systemic inefficiencies.

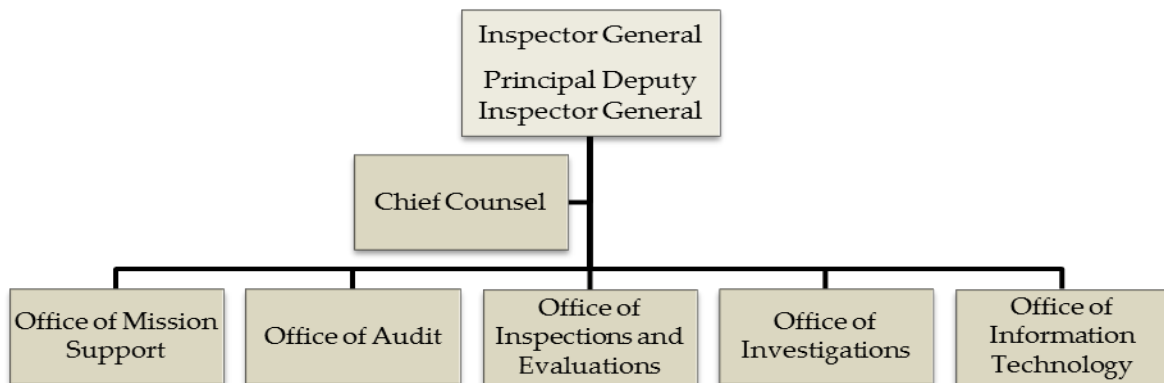


Figure 1: TIGTA's Organizational Structure

Key Accomplishments and Budget Savings

While the scope, complexity, and magnitude of the Nation's economy and deficit continue to present significant challenges, TIGTA remains one of the best investments in the federal government. In FY 2015, through targeted and vigorous oversight efforts that addressed congressional concerns and audit and investigative priorities, TIGTA generated overall financial accomplishments of over \$26.6 billion.

During FY 2015, these financial accomplishments included:

- Increased and/or protected revenue in the amount of \$17.4 billion;
- Cost savings of \$9.1 billion; and
- Significant investigative accomplishments of \$.05 billion.

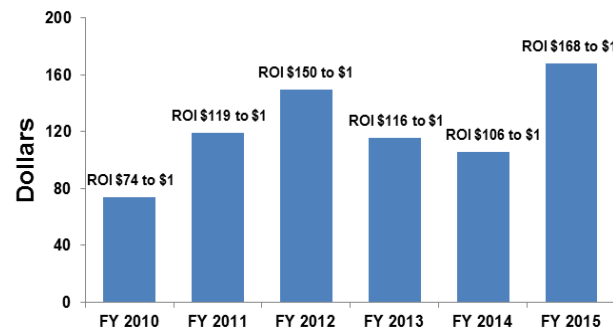


Figure 2: TIGTA's Return on Investment (ROI)

Funding for TIGTA allows oversight efforts to continue, and in FY 2015 these efforts produced a return on investment (ROI) of \$168 for every \$1 invested (Figure 2). During that period TIGTA issued audit reports with recommendations that potentially increased and/or protected revenue of \$17.4 billion. For example, based on an analysis of education credits claimed and received on Tax Year 2012 tax returns, TIGTA projected that approximately \$11 billion in potentially erroneous education credits could be paid over the next several years if corrective actions are not taken. Increased/protected revenue includes the assessment or collection of additional taxes (increased revenue) and the validation of the accuracy of the total taxes, penalties, and interest paid to the federal government (revenue protection). TIGTA reports total projections in the year the audit is completed. TIGTA also issued audit reports with

recommendations that identified a potential \$9.1 billion in cost savings. The phrase “cost savings” includes questioned costs and funds put to better use.

Questioned costs are:

- Costs that cannot be reimbursed because they represent a violation of law, regulation, or contract;
- Expenditures that are not reasonable or necessary to accomplish the intended purpose; and
- Costs that are appropriate, but for which the vendor cannot provide proof that the cost was incurred.

Funds put to better use means funds that could be used more efficiently or effectively if management took actions to implement the recommendation(s), including but not limited to:

- Reductions in outlays;
- Avoidance of unnecessary expenditures noted in pre-award contract reviews; and
- Prevention of erroneous payment of refundable credits.

In addition to funds that could be put to better use, TIGTA’s investigative efforts resulted in \$40,443,892 in court-ordered fines, penalties, and restitution.

FY 2017 Budget Request

TIGTA’s FY 2017 budget request of \$169,634,000 represents an increase of 1.41 percent above its FY 2016 budget request. These resources will fund critical audit, investigative, and inspection and evaluation services to protect the integrity of the Nation’s system of tax administration.

In accordance with the requirements of Section 6(f) (1) of the Inspector General Act of 1978 (as amended),⁴ TIGTA submits the following information related to its FY 2017 Budget Request:

- The aggregate budget request for TIGTA operations is \$169,634,000;
- The portion of the request needed for TIGTA training is \$1,800,000; and
- The portion of the request needed to support the Council of the Inspectors General on Integrity and Efficiency is \$508,900.

The amount requested for training supports TIGTA’s training needs for FY 2017.

FY 2017 Priorities

TIGTA’s audit, investigative, and inspection and evaluation priorities include:

- Identifying opportunities to improve the administration of the Nation’s tax laws and achieve program efficiencies and cost savings;
- Mitigating risks associated with security for taxpayer data and IRS employees; tax systems and online services; identity theft; oversight of tax-exempt organizations; tax compliance; the implementation of tax law changes; and human capital challenges facing the IRS in its domestic and/or international operations;
- Developing advanced analytics and innovative approaches to help prevent and detect the flow of dollars fraudulently obtained by criminals and IRS employees to help ensure the security of IRS and TIGTA data;

⁴ 5 U.S.C. app. 3 § 6(f)(1).

- Providing the IRS with the investigative coverage and the information necessary to mitigate threats against its employees, facilities, and data systems;
- Responding to domestic and foreign threats and attacks against IRS employees, property, data infrastructure, and sensitive information;
- Rapidly and effectively responding to attempts to impersonate the IRS for fraudulent purposes;
- Improving the integrity of IRS operations by detecting and deterring waste, fraud, abuse, and misconduct, including the unauthorized disclosure of confidential taxpayer information by IRS employees;
- Conducting comprehensive audits and inspections and evaluations that provide recommendations for achieving monetary benefits, addressing erroneous and improper payments, and enhancing the service the IRS provides to taxpayers;
- Informing the American people, Congress, and the Secretary of the Treasury of problems on a timely basis once all facts are known;
- Overseeing the IRS's efforts to administer tax provisions of the ACA; and
- Overseeing the IRS's efforts to increase international tax compliance.

Office of Audit

The budget for OA provides funding for comprehensive and independent audits of IRS programs and operations that help promote sound administration of the Nation's tax laws. Audit coverage is determined by assessing the risks associated with the potential audit universe and identifying the highest priority audits to address major management challenges and key emphasis areas.

Sufficient funding will allow TIGTA to continue its oversight responsibilities and audit coverage of the major management challenges facing the IRS. Audit activities are also focused on assessing key areas in which the IRS faces major risks, including:

- ACA implementation and administration;
- Identity theft detection and prevention;
- International tax compliance; and
- Oversight of the tax-exempt organizations.

The ACA resulted in the largest set of tax law changes in 20 years, with more than 40 provisions modifying or expanding the IRC. These provisions provide incentives and tax breaks to individuals and small businesses to offset health care expenses. They also impose penalties, administered in accordance with the IRC, for individuals and businesses that do not obtain health coverage for themselves or their employees. TIGTA's independent oversight plays a key role in ensuring that the provisions are implemented and administered in accordance with the law and the intent of Congress.

Beginning with the filing of Tax Year (TY) 2014 returns, individuals must indicate whether they maintain minimum coverage for themselves and their dependents. Individuals who do not maintain minimum coverage and are not exempt from the requirement will have to pay a penalty. To assist individuals with the cost of their health insurance premiums, the ACA also created a refundable tax credit, referred to as the Premium Tax Credit. Individuals who receive advance payments must file a tax return to reconcile advanced payments to their allowable credit beginning in the 2015 filing season. TIGTA will continue to evaluate the IRS's effectiveness in

ensuring compliance with the individual coverage mandate and the accuracy of Premium Tax Credit claims.

FY 2016 will be a significant year for the IRS's implementation of ACA provisions. The ACA requires employers and insurers to file information returns with the IRS identifying individuals to whom employers offered health insurance and indicating whether the insurance offered met minimum requirements. Reporting of this information to the IRS was delayed from 2015 to 2016. TY 2015 will be the first in which the IRS will have all of the reporting information required to verify related claims on individual tax returns. In addition, certain employers offering minimum coverage will be required to report to the IRS whether they offer full-time employees and their dependents the opportunity to enroll in coverage. An assessed payment will be imposed on employers who fail to provide employees with the opportunity to enroll in minimum coverage plans. TIGTA will also assess the IRS's efforts to develop processes to identify employers not filing information reports and not offering insurance that meets minimum requirements.

TIGTA will continue its assessment of IRS's development of systems to prevent, detect, and resolve fraud and abuse during ACA tax return processing. The IRS's ACA implementation plan is designed, when fully developed and implemented, to leverage third-party reporting from the exchanges and the Return Review Program. The plan calls for the development of the ACA Verification Service to identify improper ACA-related refunds. The ACA Verification Service will be designed to screen improper refunds and identify fraud including multiple returns. Until these new systems are successfully developed, TIGTA is concerned that the IRS's existing fraud detection system may be incapable of identifying ACA refund fraud prior to the issuance of tax refunds. Many of the ACA tax provisions relating to Health and Human Services (HHS) and IRS processes and procedures will also require continued coordination between TIGTA and HHS's Office of Inspector General during FY 2016.

Identity theft poses another significant and growing problem affecting tax administration. Identity theft tax fraud occurs when an individual uses another person's name and Taxpayer Identification Number (generally a Social Security Number) to file a fraudulent tax return to obtain a refund. The IRS has made this issue one of its top priorities; however, significant improvements are still needed.

A real-time example of TIGTA's need to have the newest technology, data tools, and human resources to investigate complex financial crimes occurred in May 2015. The IRS originally reported to TIGTA that criminals used taxpayer-specific data acquired from non-IRS sources to successfully gain unauthorized access to over 100,000 tax accounts through the IRS's "Get Transcript" application. In August 2015, as a result of TIGTA's investigation, the IRS conducted a deeper analysis in which it identified an additional 220,000 successful attempts to clear the "Get Transcript" verification process by individuals with taxpayer-specific sensitive data. The updated review also identified an additional 170,000 suspected attempts that failed to clear the authentication processes. Following TIGTA's advice, the IRS disabled the "Get Transcript" application until this matter is investigated. As of February 2016, the "Get Transcript" application is still disabled and under further investigation. The loss of taxpayer account information will also be reviewed by OA to determine if appropriate controls and

policies were in place to safeguard taxpayers' information. In addition, OA will evaluate the adequacy of the assistance provided by the IRS to victims of the data breach.

The risk for this type of unauthorized access to tax accounts will continue to grow as the IRS focuses its efforts on delivering taxpayers self-assisted interactive online tools. The IRS Commissioner's vision is to provide taxpayers and tax professionals with more robust online services, based on the idea of allowing access to government services anywhere, anytime, on any device, in three to five years. In addition to the IRS's Get Transcript application, the IRS also provides several other online services that could also pose a risk for unauthorized access.

International tax compliance remains a significant area of concern for the IRS, which is responsible for ensuring that all international taxpayers are compliant with U.S. tax obligations. In the past, TIGTA found that the IRS did not provide effective oversight to the International Collection program, which contributed to several control weaknesses in the program. The scope, complexity, and magnitude of the international financial system present significant challenges for the IRS. The number of taxpayers conducting international business transactions continues to grow as technology provides new opportunities for offshore investments.

OA has a continuing need to provide close oversight of the IRS's tax-exempt organization program. These entities are not subject to federal income tax, but they represent a significant aspect of tax administration.

Office of Investigations

In FY 2015, through its investigative programs, OI sought to protect the IRS's ability to process 242 million tax returns and collect more than \$3.1 trillion in annual revenue for the federal government by investigating IRS employee misconduct and criminal activity, threats to IRS employees and facilities, and attempts to impede or otherwise interfere with the IRS's collection efforts (Figure 3).

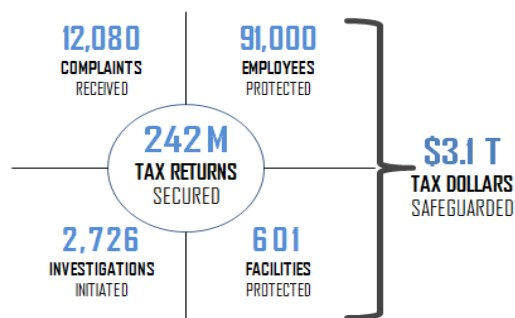


Figure 3: TIGTA's Protection of the Federal Tax System

Funding OI allows TIGTA to meet the significant challenges facing the IRS in the implementation of a fair and effective system of tax administration. IRS employees are entrusted with sensitive personal and financial information belonging to American taxpayers. As the federal tax system is based on voluntary compliance, it is also essential to the public's confidence that information given to the IRS for tax administration purposes be adequately safeguarded and kept confidential. Employee misconduct not only breaks the public's trust and confidence, but also undermines the IRS's ability to deliver taxpayer service, enforce tax laws effectively, and collect taxes owed.

OI places the highest priority on its statutory responsibility to safeguard approximately 91,000 IRS employees located in 601 facilities throughout the United States. Threats of physical violence, harassment, and intimidation of IRS employees are criminal violations that OI aggressively investigates and refers for prosecution. As a result, IRS employees feel more secure

in their work environment and can focus on performing their critical jobs. By maintaining a constant focus on the expanding threat environment, OI balances its attention on this critical area with its other investigative programs that help to protect the integrity of the federal tax system.

Emerging Issues

Impersonation Scam: Since summer 2013, a significant part of TIGTA's workload has consisted of investigating a telephone impersonation scam in which a victim receives an unsolicited telephone call from a person claiming to be an IRS agent. The caller, using a fake name, provides a "badge number" and claims the victim owes taxes and is criminally liable for the amount owed. The victim is threatened that if he or she fails to pay the tax immediately, the victim will be arrested, a suit will be filed, or some other form of adverse action will be taken. As of December 2015, TIGTA had received more than 896,000 reports of these calls, between 10,000 and 13,000 each week. To date, more than 5,000 victims have paid more than \$26.5 million to the scammers. This nationwide scam is being conducted by criminals who are part of a broader international ring of scam artists operating outside the United States. The scam artists use Voice-Over Internet Protocol technology, which makes it more difficult for investigators to identify criminals. The FY 2017 budget request includes resources needed to investigate these crimes and prevent more people from being victimized.

Data Breach: In May 2015, the IRS originally reported to TIGTA that criminals used taxpayer-specific data acquired from non-IRS sources to successfully gain unauthorized access to more than 100,000 tax accounts through IRS's "Get Transcript" application. In August 2015, as a result of TIGTA's investigative findings, the IRS conducted a deeper analysis in which it identified an additional 220,000 successful attempts to clear the "Get Transcript" verification process by individuals with taxpayer-specific sensitive data. The updated review also identified an additional 170,000 suspected attempts that failed to clear the authentication processes. Following TIGTA's advice, the IRS disabled the "Get Transcript" application until this matter has been investigated. As of February 2016, the "Get Transcript" application is still disabled and under further investigation.

As part of its overall investigation into the data breach, OI is conducting an in-depth forensic review of more than 300,000 accounts to determine if they were used for any other type of identity theft. The investigation will also identify the vulnerabilities that allowed the accounts to be stolen and to generate the evidence necessary to bring the responsible individuals to justice.

ACA: TIGTA anticipates a significant rise in the number of complaints and investigations in FY 2017 because of the IRS's increased role in the ACA implementation. This budget request will allow TIGTA to investigate ACA-related allegations, timely respond to threats and assaults against IRS employees and facilities, and provide armed escorts to IRS employees who meet with potentially dangerous taxpayers. TIGTA anticipates an increase in:

- The number of threats against IRS employees and facilities as the IRS begins collecting ACA tax penalties that took effect in Calendar Year (CY) 2015;
- The number of ACA-related investigations of impersonations by criminals attempting to fraudulently obtain personally identifiable information from unsuspecting taxpayers; and
- The number of employee integrity investigations, to ensure that IRS employees and contractors are appropriately safeguarding sensitive information from taxpayers' health

insurers, and to reduce the potential for unauthorized access to, or disclosure of, confidential taxpayer information.

International Cybercrimes and Identity Theft: By the end of CY 2013, the IRS had reported nearly 2.9 million identity theft cases, of which taxpayers had reported 13 percent and the IRS had detected approximately 87 percent. The tools and techniques used by the perpetrators of identity theft are such that they can be deployed from anywhere in the world, without regard to borders, using Internet-connected computers. OI's highly specialized group of criminal investigators with technical expertise in investigating electronic crimes, including computer intrusions and Internet-based fraud schemes, will continue to combat cybercriminals.

The electronic system of tax administration that is conducted over IRS computer networks is targeted for malicious activity each day from network connections located throughout the world. Because many cybercriminals reside outside the United States, TIGTA special agents work with law enforcement personnel in foreign countries to identify leads and execute search and arrest warrants (Figure 4). OI will continue to support these critical international investigations with its highly trained special agents.

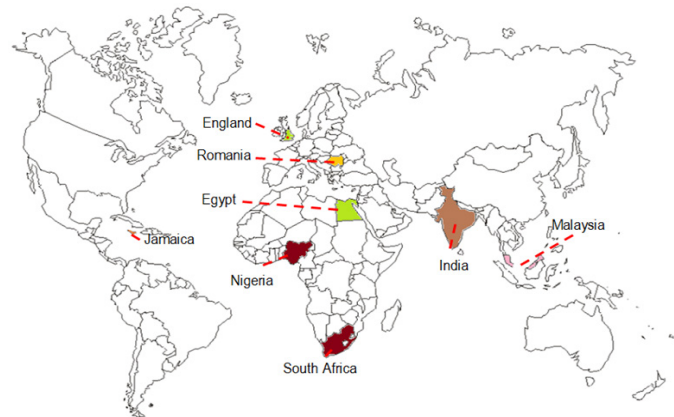


Figure 4: Examples of countries linked to TIGTA cybercrimes investigations

Office of Inspections and Evaluations

I&E provides a range of specialized services and products, including quick reaction reviews, on-site office inspections, and in-depth evaluations of major functions, activities, or programs.

Inspections serve to:

- Provide factual and analytical information;
- Monitor compliance;
- Measure performance;
- Assess the effectiveness of programs and operations;
- Share best practices; and
- Inquire into allegations of waste, fraud, abuse, and mismanagement.

Evaluations often result in recommendations to streamline IRS operations, enhance data quality, and minimize inefficient and ineffective procedures. In FY 2015, I&E produced four reports reviewing:

- The IRS's use of its streamlined critical pay authority;
- Adherence to required bargaining processes and federal guidance in payment of FY 2013 employee performance awards;
- Whether requests for taxpayer information were processed properly; and
- Significant unimplemented corrective actions, as shown in the September 30, 2015 Semiannual Report to Congress.

I&E provides TIGTA with additional flexibility, capacity, and capability to produce value-added products and services to improve tax administration. Inspections usually are more limited in scope and are completed in a more compressed period of time than are traditional audits. The work of I&E complements OA and OI, and its findings may result in subsequent audits and/or investigations.

Office of Information Technology

The Office of Information Technology (OIT) provides cost-effective, timely information technology (IT) products and services that permit successful completion of TIGTA's business goals, while at the same time meeting legislative mandates. By developing, providing, and supporting a wide variety of IT products and services, OIT facilitates the collection, management, analysis, and dissemination of information for the benefit of audit, investigative, legal, and management services.

TIGTA's OA, OI, and I&E functions rely heavily on the products and services provided by OIT to execute TIGTA's mission. IT is the dynamic force that allows auditors, special agents, and inspectors and evaluators to accomplish their objectives within the staffing and physical constraints that might otherwise prevent their completion. As the demands on the organization grow, it becomes increasingly dependent on the use of technology. Those demands translate into the need for more and improved IT services as well as a skilled staff to provide those services to the organization.

TIGTA has no major IT investments, based on the criteria of the Office of Management and Budget (OMB) and the Department of the Treasury. Several non-major investments, however, directly support the mission, strategy, and day-to-day operations of TIGTA. These investments include:

- **Telecommunications Infrastructure** – The utilization of smaller devices (e.g., smartphones and tablets) requires new and different types of connectivity to serve the increasingly mobile workforce. Greater capacity, additional services, and lower cost alternatives are also necessary to meet the ever growing needs of a changing workforce. TIGTA's OIT also faces the challenges of migrating to a new Department-wide telecommunications contract along with meeting user expectations.
- **Refreshed Applications and Collaboration Environment** – Given the evolving work model, not only are new applications expected to be available on the mobile platforms, but also legacy and mission critical applications will need to be adapted to this mode of operation.
- **Secure IT Mobility** – The emphasis on ensuring TIGTA has proper controls in place will only increase as the number and frequency of intrusions and data losses highlight the importance of IT security. To prevent the compromise of the data TIGTA obtains, it must aggressively ensure that its own security posture is properly maintained.
- **Server and Storage Infrastructure** – Deep data analysis and predictive analysis will require additional resources to prevent waste, fraud, and abuse.

Safeguarding the IRS and Providing Comprehensive Oversight

TIGTA places its highest priority on ensuring the safety and security of IRS employees and facilities. TIGTA evaluates intelligence information regarding potential violent acts against the IRS and develops proactive leads from other law enforcement agencies and sources to mitigate potential threats.

As part of TIGTA's oversight activities, the Threat Information and Critical Incident Response Center Initiative was created to ensure that threats against IRS personnel, facilities, or critical infrastructure are effectively and proficiently identified, investigated, and mitigated.

Additionally, OI has established a Threat Information Notification System (TINS) to ensure the efficient and accurate distribution of threat-related information to all impacted stakeholders. The TINS protocol supports key personnel within TIGTA and the IRS, and provides for real-time information sharing to facilitate the protection of the IRS's most important resource, its employees. TIGTA and the IRS are positioned to make decisive investigative and security decisions affecting IRS personnel, facilities, and critical infrastructure well into the future.

Security for Taxpayer Data and Employees: The IRS faces the daunting task of securing its computer systems against the growing threat of cybercrime. Effective information systems security is essential to ensure that data are protected against inadvertent or deliberate misuse, unauthorized disclosure, or destruction, and that computer operations supporting tax administration are secured against disruption or compromise. In addition to securing a vast amount of sensitive financial and personal data, the IRS must also protect approximately 91,000 employees and 601 facilities throughout the United States. These operating conditions are challenging for the IRS and underscore the need for continued vigilance in the area of physical and personnel security.

To prevent the compromise of sensitive taxpayer information, TIGTA proactively identifies IRS employees who access tax information without authorization. This is referred to as IRS Unauthorized Access, Attempted Access or Inspection of Taxpayer Records or commonly known as UNAX. The initial investigation into an allegation of UNAX by an IRS employee often leads to the discovery of other criminal violations, including fraud and identity theft. The importance of efforts to detect UNAX is often underestimated, because too often UNAX is seen as browsing by bored employees. IRS employees who are found to have committed UNAX violations may be subject to fines, imprisonment, and/or loss of their jobs. In FY 2015, TIGTA initiated 225 UNAX investigations and closed 197 cases that resulted in adjudicated personnel actions against IRS employees.

Another of TIGTA's significant oversight responsibility areas is the review of the IRS's computer applications that contain sensitive information. The IRS currently has 132 application systems that process sensitive data, of which 83 are considered to be at risk for UNAX. With the FY 2017 resources, TIGTA will be able to ensure that these applications are evaluated properly and provide any necessary recommendations, so the IRS can implement improvements to mitigate these risks.

OI will conduct in-depth forensic review of taxpayer accounts that were compromised, as first reported in May 2015 by the IRS, when criminals used taxpayer-specific data acquired from non-

IRS sources to successfully gain unauthorized access to tax accounts through IRS's "Get Transcript" application. The investigation will also identify the vulnerabilities that allowed the accounts to be stolen and to generate the evidence necessary to bring the responsible individuals to justice. The loss of taxpayer account information will also be reviewed by OA to determine if appropriate controls and policies were in place to safeguard the taxpayers' information.

TIGTA's outreach program continues to play an important role in its broader efforts to raise the awareness of, educate, and train IRS employees and tax practitioners about potential threats and crimes against the IRS and taxpayers. Every year, special agents conduct security awareness presentations to educate IRS employees of TIGTA's oversight responsibility and share information to help identify ways to prevent physical assaults and threats and deter waste, fraud, and abuse. In FY 2015, TIGTA provided 1,119 awareness presentations to 36,240 IRS employees and 35 awareness presentations to 3,180 tax practitioners and preparers.

Fraudulent Claims and Improper Payments: The Improper Payments Information Act of 2002⁵ defines an improper payment as any payment that should not have been made or that was made in an incorrect amount (both overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. Improper payments by federal government agencies have been an issue for many years, and numerous efforts have been made to identify, measure, and reduce them. In FY 2015, TIGTA issued a report noting that 3,285 electronically-filed corporate income tax returns filed in 2013 claimed potentially erroneous carryforward credits totaling over \$2.7 billion. In addition, a programming error prevented more than \$170 million in Empowerment Zone Employment credits claimed in CY 2013 from being received by the corporations claiming the credit.

According to another FY 2015 TIGTA report, the IRS does not have an effective process for identifying erroneous claims for education credits. TIGTA estimated that taxpayers received more than \$5.6 billion in potentially erroneous education credits claimed on TY 2012 returns. TIGTA projected that approximately \$11 billion in potentially erroneous education credits could be paid over the next several years if corrective actions are not taken.

Tax Compliance Initiatives: Increasing budgetary pressure has led to a reduction of IRS resources in the enforcement area, which affects how the IRS addresses tax noncompliance. In FY 2015, TIGTA reported additional actions to enforce payment card reporting requirements could reduce the tax gap. TIGTA found that taxpayers are not compliant with backup withholding requirements directing a taxpayer to immediately withhold 28 percent of amounts reported on Forms 1099-K for payees that failed to provide a valid Taxpayer Identification Number (TIN). TIGTA's review of Calendar Year 2013 Forms 1099-K identified 10,216 forms with a missing TIN. The Forms 1099-K reported gross transactions totaling more than \$10.6 billion. To address the challenges, TIGTA made seven recommendations; the IRS agreed to six of them and implemented pilot initiatives in an effort to identify payment card noncompliance.

Advising Congress: In FY 2015, TIGTA provided six testimonies, more than 25 briefings, and more than five official written responses to Congress on its audit, investigative, and inspection

⁵ Pub. L. No. 107-300, 116 Stat. 2350.

and evaluation activities. Through direct communication, TIGTA aims to address the interest of congressional committees in critical issues involving IRS programs and operations.

Fraud and Electronic Crime: Historically, investigations and audits have shown that the sensitivity of the data the IRS collects makes such data an attractive target for employees, hackers, and others residing throughout the world, who could use the information to commit crimes involving fraud and identity theft. TIGTA's audit, investigative, and inspection and evaluation work provides coverage of this growing national and international problem, providing proactive prevention and detection efforts that are critically necessary in this highly vulnerable and ever-evolving area. As described in Homeland Security Presidential Directive 7, IRS operations that fund the federal government are part of the Nation's key resources and critical infrastructure, which provide essential services that underpin American society. Degradation of the public's trust in the tax system could lead to a decline in voluntary compliance and present a risk to national security.

Promoting Efficient Spending and the Campaign to Cut Waste: TIGTA continues to uphold its commitment to promote efficient spending and cut waste. All investments and procurements undergo a rigorous review by TIGTA's Investment Review Board. The Board performs regular monitoring of these investments to ensure proper management. For FY 2016 and FY 2017, TIGTA will continue to scrutinize its budget and identify areas for cost savings and efficiencies. For example, TIGTA will generate savings from the reduction of personnel investigations it will need to conduct based on the results of an ongoing position sensitivity designation review.

In order for TIGTA to maintain a highly skilled, proactive, and diverse Inspector General organization with a reputation of protecting and promoting fair tax administration, its employees will require ongoing training to meet the challenge of staying abreast of changing IRS programs and priorities. In addition, TIGTA will ensure that its workforce receives training that strengthens the knowledge and skills it needs to continue to protect the public and to ensure Congress's confidence in the tax system.

Section 2 – Budget Adjustments and Appropriations Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Treasury Inspector General for Tax Administration	FTE	Amount
FY 2016 Enacted	859	\$167,275
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$2,376
Pay-Raise	-	\$1,315
Pay Annualization	-	\$437
Non-Pay	-	\$624
Efficiency Savings:	-	(\$17)
Personnel Security Background Investigations	-	(\$17)
Subtotal Changes to Base	-	\$2,359
Total FY 2017 Base	859	\$169,634
Total FY 2017 Request	859	\$169,634

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$2,376,000 / +0 FTE

Pay-Raise +\$1,315,000 / +0 FTE

Funds are requested for the proposed January 2017 pay-raise.

Pay Annualization +\$437,000 / +0 FTE

Funds are requested for annualization of the January 2016 pay-raise.

Non-Pay +\$624,000 / +0 FTE

Funds are requested for non-labor costs such as travel, contracts, rent, and equipment.

Efficiency Savings -\$17,200 / +0 FTE

Personnel Security Background Investigations - \$17,200/ +0 FTE

TIGTA will generate a savings of \$17,200 from a reduction in the number of personnel investigations it will need to conduct based on the results of an ongoing position sensitivity designation review.

2.2 – Operating Levels Table

Dollars in Thousands

Treasury Inspector General for Tax Administration	FY 2015	FY 2016	FY 2017
Object Classification	Actual	Enacted	Request
11.1 - Full-time permanent	81,433	91,135	91,726
11.3 - Other than full-time permanent	445	590	594
11.5 - Other personnel compensation	7,991	8,405	8,460
11.9 - Personnel Compensation (Total)	89,869	100,130	100,780
12.0 - Personnel benefits	33,470	34,307	35,409
Total Personnel Compensation and Benefits	\$123,339	\$134,437	\$136,189
21.0 - Travel and transportation of persons	4,295	3,514	3,581
22.0 - Transportation of things	18	19	19
23.1 - Rental payments to GSA	9,197	9,221	9,396
23.2 - Rental payments to others	150	229	233
23.3 - Communication, utilities, and misc. charges	519	1,829	1,864
24.0 - Printing and reproduction	6	7	7
25.1 - Advisory and assistance services	2,067	790	805
25.2 - Other services	1,030	708	721
25.3 - Other purchases of goods & servs from Govt accounts	10,233	8,218	8,357
25.4 - Operation and maintenance of facilities	13	416	424
25.7 - Operation and maintenance of equip	2,494	926	944
26.0 - Supplies and materials	945	1,052	1,072
31.0 - Equipment	4,593	5,832	5,943
42.0 - Insurance claims and indemnities	4	52	53
91.0 - Confidential Expenditures	36	25	26
Total Non-Personnel	\$35,600	\$32,838	\$33,445
Subtotal New Appropriated Resources	\$158,939	\$167,275	\$169,634
Budget Activities:			
Audit	57,845	65,700	66,620
Investigations	101,906	103,075	104,514
Total Budgetary Resources	\$159,751	\$168,775	\$171,134
FTE	758	861	861

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION Federal funds SALARIES AND EXPENSES</p> <p>For necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, as amended, including purchase and hire of passenger motor vehicles (31 U.S.C. 1343(b)); and services authorized by 5 U.S.C. 3109, at such rates as may be determined by the Inspector General for Tax Administration; [\$167,275,000,] \$169,634,000, of which \$5,000,000 shall remain available until September 30, [2017] 2018; of which not to exceed \$6,000,000 shall be available for official travel expenses; of which not to exceed \$500,000 shall be available for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General for Tax Administration[; and of which not to exceed \$1,500 shall be available for official reception and representation expenses]. (Department of the Treasury Appropriations Act, 2016.)</p>	

2C – Legislative Proposals

TIGTA has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Audit

(\$66,020,000 from direct appropriations and \$600,000 from reimbursable resources):

TIGTA identifies opportunities to improve the administration of the Nation's tax laws by completing comprehensive and independent performance and financial audits of IRS programs and operations. TIGTA's audit program incorporates both statutory audit requirements and specific audits identified through TIGTA's risk assessment process. TIGTA's audit work is concentrated on high-risk areas and the IRS's progress in achieving its strategic goals. TIGTA strategically evaluates IRS programs, activities, and functions so that resources are spent in the areas of highest vulnerability to the Nation's system of tax administration. By focusing on the most critical areas, TIGTA identifies and recommends improvements that add value while addressing high-risk tax administration issues. In FY 2015, OA issued 92 final audit reports that included potential financial benefits totaling approximately \$26.6 billion and affected approximately 5.3 million taxpayer accounts.

Each year, TIGTA identifies and addresses the major management and performance challenges and key issues confronting the IRS. OA identifies the major risks facing the IRS and annually proposes a national audit plan based on perceived risks, stakeholder concerns, and follow-up reviews of previously audited areas with significant control weaknesses. To keep apprised of operating conditions and emerging issues, TIGTA maintains liaison and consults on an ongoing basis with applicable stakeholders, such as IRS executives, the IRS Oversight Board, the Department of the Treasury, the Government Accountability Office, and Congress.

TIGTA's Annual Audit Plan communicates audit priorities to the IRS, Congress, and other interested parties. Many of the activities described in the Annual Audit Plan address the fundamental goals related to the IRS's mission to administer its programs effectively and efficiently. Audits address a variety of high-risk issues, such as ACA implementation and administration, identity theft detection and prevention, security of taxpayer data, tax compliance, fraudulent claims and improper payments, tax systems and online services, tax-exempt organizations, and globalization. TIGTA's audits and recommendations help:

- Promote the economy, efficiency, and effectiveness of IRS programs;
- Ensure the fair and equitable treatment of taxpayers; and
- Detect and deter waste, fraud, and abuse.

TIGTA's recommendations not only result in cost savings, but also have other quantifiable impacts, such as the protection of existing revenue, increased revenue, and reduction of the number of fraudulent refunds and improper payments.

In addition to its coverage of the major management challenges facing the IRS, OA places importance on key emphasis areas based on significance and impact on tax administration:

- ***ACA Implementation and Administration*** – The ACA impacts individual and business taxpayers at all income levels, IRS compliance and enforcement programs, information reporting requirements, the administration of tax penalties, and information technology. Ensuring the confidentiality of taxpayer data provided to the Federal and State Exchanges, developing a compliance strategy for certain requirements of the ACA, and identifying potential fraud related to the premium tax credit provision are all challenges facing the IRS.

In FY 2015, TIGTA identified that the IRS needs to ensure that health insurance policy issuers and self-insured sponsors are paying a Patient-Centered Outcome Research (PCOR) fee (ACA excise tax) based on the average number of lives covered. The new fee is used to offset the costs of the PCOR Institute, which funds research to assist decision-making for patients and healthcare providers. For TY 2012, TIGTA found that of 72,035 health insurance policy issuers/self-insured plan sponsors, 30,996 (43 percent) paid a PCOR fee of less than \$4.25, which is the IRS's cost to process these returns.

- ***Tax-Exempt Organizations*** – The IRS's prior use of inappropriate criteria for selecting and reviewing applications for tax-exempt status has been a significant concern, and the IRS has made substantial changes in its administration of this process. However, a FY 2015 audit determined that the IRS uses a subjective process that will be replaced with a clearly defined social welfare test upon finalized guidance from the Department of the Treasury.
- ***Identity Theft Detection and Prevention*** – Stopping identity theft and refund fraud continues to be a top priority for the IRS, as its work in these areas continues to grow and includes nearly every part of the organization. The IRS has put in place a strategy to prevent fraud, investigate these crimes, and assist taxpayers victimized by identity thieves. While the IRS has made progress, this is no comfort to the victims and the IRS needs to do more. In May 2015, the IRS originally announced that criminals used taxpayer-specific data acquired from non-IRS sources to gain unauthorized access to information on over 100,000 tax accounts through IRS's "Get Transcript" application. As a result of TIGTA's investigative findings, in August 2015, the IRS conducted a deeper analysis in which it identified an additional 220,000 successful attempts to clear the "Get Transcript" verification process by individuals with taxpayer-specific sensitive data. The updated review also identified an additional 170,000 suspected attempts that failed to clear the authentication processes. Before trying to access the IRS site, the criminals gained sufficient information from an outside source to clear a multi-step authentication process, including several personal verification questions that typically are only known by the taxpayer. Additionally, TIGTA's review found that the IRS continues to make errors when resolving the tax accounts of identity theft victims. TIGTA estimated that 10 percent of the 267,692 taxpayers whose accounts were resolved may have been resolved incorrectly, resulting in the delay of refunds or the identity theft victims' receiving incorrect refund amounts.
- ***International Tax Compliance*** – The tax compliance of business and individual taxpayers involved in international transactions remains a significant area of concern for the IRS. As the number and complexity of international transactions continues to grow, the IRS must focus its international efforts on ensuring compliance with the tax laws, regardless of where the taxpayers reside. The enactment of FATCA to combat tax evasion by U.S. persons holding investments in offshore accounts is an important development in the IRS's efforts to improve U.S. tax compliance involving foreign financial assets and offshore accounts.

In addition to the areas addressed above, TIGTA's reports for FY 2015 addressed issues that included:

- ***Education Credits*** – The IRS still does not have effective processes to identify erroneous claims for education credits. Erroneous claims include claims for individuals who did not appear to have attended a postsecondary educational institution, individuals who did not attend an eligible educational institution, individuals who did not appear to attend the educational institute for the required length of time, and individuals who claimed the credit

for more than the four tax years allowed by law. Based on the audit, more than \$11 billion of increased revenue/revenue protected and more than \$9.1 billion in cost savings could potentially be achieved.

- **General Business Credits – Carryforward** – TIGTA identified 3,285 corporate income tax returns electronically filed in CY 2013, on which corporations claimed potentially erroneous carryforward credits totaling more than \$2.7 billion. TIGTA also found that a programming error prevented more than \$170 million in Empowerment Zone Employment Credits claimed on 717 returns from being received by the corporate taxpayers.
- **Fresh Start Initiatives** – Under the Fresh Start Initiatives, taxpayers struggling to pay their outstanding tax obligations signed direct debit installment agreements and the IRS withdrew their Notices of Federal Tax Lien (NFTL). However, 524 taxpayers, who owed approximately \$10.5 million, defaulted on their installment agreements, and the IRS did not file new NFTLs.

Description of Performance:

TIGTA uses two performance measures to gauge the success of the audit program. The first measure indicates that TIGTA's products are more likely to be used if they are delivered when needed to support congressional and IRS decision making. To determine whether products are timely, TIGTA tracks the percentage of products that are delivered on or before the date promised (contract date).

The second measure assesses TIGTA's effect on improving the IRS's accountability, operations, and services. TIGTA makes recommendations designed to improve the administration of the federal tax system. The IRS must implement these recommendations to realize the financial or non-financial benefits. Since the IRS needs time to act on recommendations, TIGTA uses the Department of the Treasury's Joint Audit Management Enterprise System to track the percentage of four-year-old recommendations that have been implemented, rather than the results of the activities during the fiscal year in which the recommendations are made. TIGTA tracks recommendations that have not been implemented by the IRS and has a formal process with the IRS to close out unimplemented recommendations in situations in which circumstances may have changed or when the IRS has taken alternative corrective measures to address TIGTA's audit findings.

In FY 2015, the actual Percentage of Audit Products Delivered when Promised to Stakeholders was 80 percent, against a full-year target of 68 percent.

In FY 2015, the actual Percentage of Recommendations Made that Have Been Implemented was 92 percent, against a full-year target of 85 percent. TIGTA exceeded its target because of continued discussions with the IRS throughout the audit process concerning both the findings and potential recommended solutions to ensure that feasible alternatives were identified. For FY 2017, the target for Percentage of Audit Products Delivered when Promised to Stakeholders will remain 68 percent. The target for Percentage of Recommendations Made that Have Been Implemented will also remain at 85 percent.

3.1.1 – Audit Budget and Performance Plan

Dollars in Thousands

Resource Level	Audit Budget Activity							
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Request
Appropriated Resources	\$57,421	\$57,306	\$57,306	\$54,309	\$53,763	\$57,463	\$65,100	\$66,020
Reimbursable Resources	\$529	\$351	\$0	\$500	\$600	\$382	\$600	\$600
Budget Activity Total	\$57,950	\$57,657	\$57,306	\$54,809	\$54,363	\$57,845	\$65,700	\$66,620

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percentage of Audit Products Delivered when Promised to Stakeholders	76.0	68.0	71.0	84.0	65.0	80.0	68.0	68.0	68.0
Percentage of Recommendations Made that Have Been Implemented	95.0	93.0	94.0	87.0	89.0	92.0	85.0	85.0	85.0

3B – Investigations

(\$103,614,000 from direct appropriations, and \$900,000 from reimbursable resources):

While most Offices of Inspectors General focus primarily on waste, fraud, and abuse, TIGTA's mission is more extensive. In addition to protecting the IRS's ability to collect the majority of the revenue for the federal government's operations, TIGTA also has the statutory responsibility of protecting the integrity of tax administration while protecting the IRS's most valuable resource, its employees.

TIGTA's investigative resources are allocated based upon a performance model that focuses on three primary areas of investigation:

- Employee integrity;
- Employee and infrastructure security;
- and
- External attempts to corrupt tax administration.

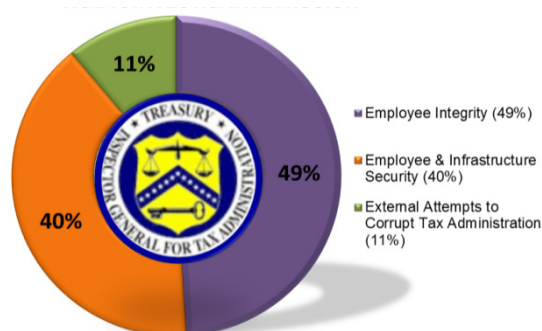


Figure 5: Investigative Performance Model

The performance model (Figure 5) results in reliable statistical data used to make mission-critical decisions regarding staffing, budgeting, and training. The performance model uses a ratio of those investigations that have the greatest impact on IRS operations or the protection of federal tax administration to the total number of investigations conducted. These performance measures guide OI's activities and help to demonstrate the value of investigative accomplishments to external stakeholders.

Employee Integrity: IRS employee misconduct, real or perceived, erodes public trust and impedes the IRS's ability to enforce tax laws effectively. This misconduct manifests itself in a variety of ways including misuse of IRS resources or authority, theft, fraud, extortion, taxpayer abuses, unauthorized access, and disclosure of tax return information. In FY 2015, 49 percent of TIGTA's investigative body of work involved alleged employee misconduct. TIGTA's special agents possess the knowledge, skills, and expertise to investigate such matters. TIGTA's efforts convey a message to IRS employees that these types of activities will not go unchecked.

TIGTA promotes employee integrity by conducting proactive investigative initiatives to detect criminal activity and serious misconduct in the administration of IRS programs. In FY 2015, TIGTA initiated 37 proactive investigative initiatives to detect systemic weaknesses or potential IRS program vulnerabilities. A recent investigative focus identified seasonal IRS employees who continued to receive unemployment benefits after being recalled to work from furlough status by the IRS. This investigation resulted in numerous arrests, prosecutions, and terminations of IRS employees for fraud.

TIGTA received 12,080 complaints, opened 2,726 investigations, and closed 2,797 investigations in FY 2015. During this period, TIGTA referred for IRS action 1,185 cases of employee misconduct and accepted 146 cases of all types of investigations for criminal prosecution. As a result of a TIGTA investigation into employee misconduct, a former IRS employee was sentenced to 24 months in prison⁶ for her role in an identity theft scheme.⁷ In another case, a Fresno, California, IRS employee was arrested⁸ after being indicted for filing fraudulent tax returns.⁹ The 20-year employee prepared and filed numerous fraudulent federal income tax returns for herself, her family members, and others, defrauding the United States of approximately \$37,387.¹⁰

Employee and Infrastructure Security: In FY 2015, TIGTA responded to 1,936 threat-related incidents. Tax revenue is critical to our Nation's infrastructure. Threats and assaults directed at IRS employees, facilities, data, and computer systems impede the effective administration of the federal tax system. TIGTA has a statutory responsibility to identify, investigate, and respond to threats against IRS personnel and physical infrastructure (Figure 6).

TIGTA's authority to investigate threats and assaults is derived from the provisions of Title 26 U.S.C. § 7608(b), authority of internal revenue enforcement officers; RRA 98; the Inspector General Act of 1978, as amended, and the Inspector General Reform Act of 2008; and is summarized in Treasury Order 115-01. All reports of threats, assaults, and forcible interference against IRS employees performing their official duties are referred to OI. TIGTA has the necessary authority to access taxpayer information in support of ongoing investigations, including tax matters related to threats and assaults involving the IRS.

⁶ W.D. Mo. Judgment filed Nov. 13, 2014.

⁷ W.D. Mo. Indict. filed Mar. 19, 2014.

⁸ E.D. Cal. Executed Arrest Warrant filed Feb. 27, 2015.

⁹ E.D. Cal. Indict. filed Feb. 26, 2015.

¹⁰ *Id.*

To ensure IRS employee safety, OI undertakes investigative initiatives to identify individuals who could commit violence against IRS employees, or who could otherwise pose a threat to IRS employees, facilities, or infrastructure. OI provides crucial intelligence to IRS officials to assist them in making proactive operational decisions about potential violence or other activities that could pose a threat to IRS systems, operations, and people.

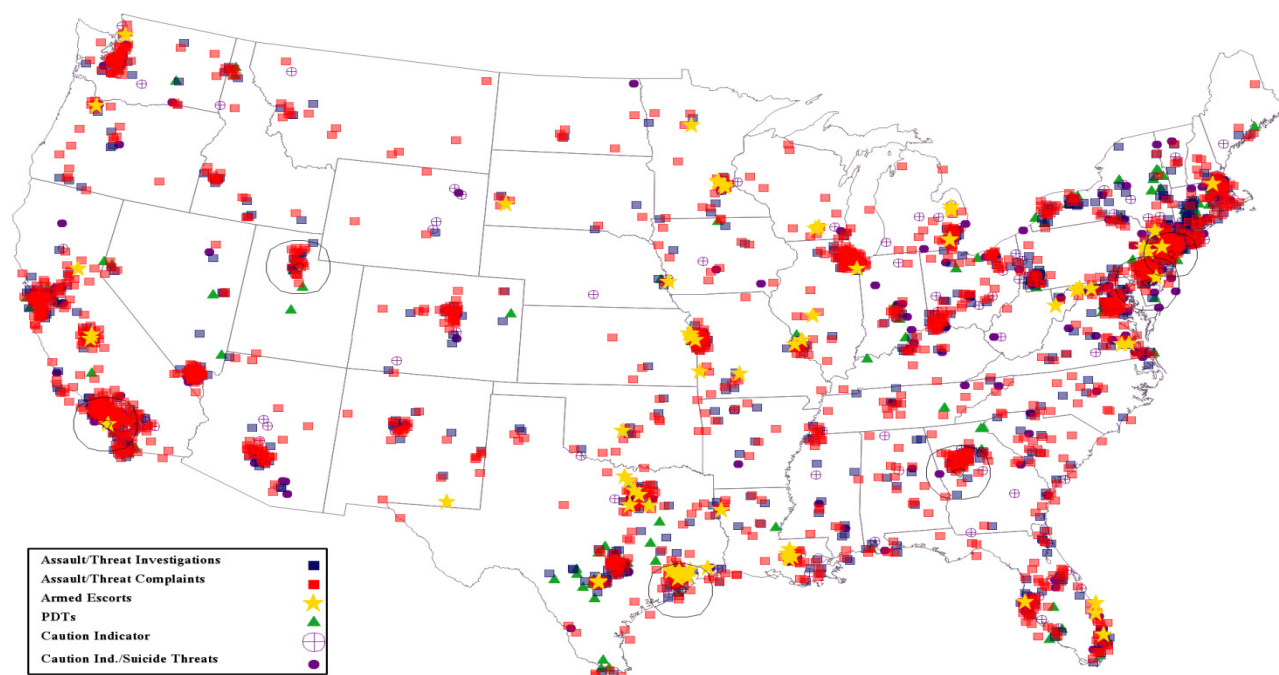


Figure 6: Investigative Activities (Assaults and Threats) in FY 2015

Over the past several years, the United States has experienced numerous violent incidents in schools, private offices, and public areas. These tragic events are unpredictable and result in numerous innocent people losing their lives or being severely injured. TIGTA has processed over 12,176 threat-related complaints and investigated over 5,971 threats against IRS employees from FY 2011 through FY 2015.

TIGTA takes threats directed at the IRS and its employees very seriously. In October 2014, a Rhode Island man was sentenced to 12 months and a day in prison, plus three years of supervised probation and 300 hours of community service for threatening the life of an IRS employee and the employee's family members.¹¹ The threatening statements were made with the intent to impede the official duties of, and to retaliate against, the employee.¹² In another case, a Utah man was sentenced to 24 months imprisonment and three years of supervised release for the illegal possession of a machine gun.¹³ An investigation was initiated after the individual made statements about bombing the IRS office, the police department, and a court building. The man

¹¹ D. R.I. Judg. filed Oct. 7, 2014.

¹² D. R.I. Indict. filed Jan. 15, 2014.

¹³ D. Utah Judg. filed Oct. 31, 2014.

subsequently delivered a fully automatic firearm with an obliterated serial number to a Federal Bureau of Investigation undercover employee.¹⁴

TIGTA's partnership with the IRS's Office of Employee Protection (OEP) to identify Potentially Dangerous Taxpayers (PDTs) is one example of TIGTA's commitment to collaborate with the IRS and protect IRS employees. If a taxpayer has been designated as potentially dangerous, TIGTA conducts a follow-up assessment of the taxpayer after five years and provides the IRS's OEP with information to determine if the taxpayer still poses a danger to IRS employees. TIGTA's special agents are responsible for providing physical security, known as "armed escorts," to IRS employees in dangerous situations. TIGTA's special agents escort IRS employees when they require personal contact with a PDT. These armed escorts provide a safe environment for IRS employees to conduct tax administration activities.

External Attempts to Corrupt Tax Administration: TIGTA is statutorily mandated to investigate external attempts to corrupt tax administration, which include criminal misconduct by nonemployees, such as attempted bribery of IRS employees and impersonation of the IRS. Many IRS employees are in direct contact with taxpayers and often encounter situations where a taxpayer may challenge the employees' integrity by offering a bribe. Bribery, or attempted bribery, of a public official is a criminal offense and is considered an attack on the integrity of the entire IRS organization and the Nation's system of tax administration. TIGTA is currently investigating nationwide IRS impersonation schemes in which criminals are pretending to be employees of the IRS and are attempting to collect phantom tax liabilities from innocent taxpayers. Since the scam was first reported in the summer of 2013, the TIGTA Hotline has received more than 896,000 related contacts, and it is estimated that the scheme has resulted in more than \$26.5 million in payments made by more than 5,000 victims as of December 2015.

OI is conducting an in-depth forensic review of taxpayer accounts for the May 2015 IRS reported data breach, in which criminals used taxpayer-specific data acquired from non-IRS sources to successfully gain unauthorized access to tax accounts through IRS's "Get Transcript" application. The investigation will identify the vulnerabilities that allowed the accounts to be stolen and generate the evidence necessary to bring the responsible individuals to justice.

With adequate FY 2017 resources, TIGTA will have the necessary staffing to ensure these criminal acts are promptly investigated. Another key aspect of protecting the integrity of tax administration in today's environment is the oversight and investigation of IRS procurement. On average, the IRS awards approximately 9,500 contracts each year, worth approximately \$2.1 billion. A 2014 Association of Certified Fraud Examiners report¹⁵ estimated that five percent of an organization's revenue is at risk of fraud on an annual basis. In the case of the IRS, this projection translates to approximately \$105 million annually.

TIGTA focuses its contract fraud investigations on administrative, civil, and criminal violations. TIGTA's contract fraud investigations add to the Nation's treasury through court-ordered settlements and recoveries. With adequate FY 2017 resources, TIGTA could proactively identify

¹⁴ D. Utah Compl. filed July 9, 2013.

¹⁵ Association of Certified Fraud Examiners, *Report to the Nations on Occupational Fraud and Abuse*, 2014.

and address procurement fraud risks in IRS programs to help ensure that the IRS and taxpayers receive full value for the billions of contracting dollars spent.

Description of Performance:

TIGTA's investigative performance model is a ratio of those investigations that have the greatest impact on IRS operations or the protection of federal tax administration to the total number of investigations conducted. These performance measures guide OI's activities and help to demonstrate the value of investigative accomplishments to external stakeholders. The performance model provides reliable statistical data, which are used to make mission-critical decisions regarding investigative staffing, budgeting, and training.

The FY 2015 Percentage of Results from Investigative Activities was 93 percent, 14 percent above the target of 79 percent. This increase in investigative activities was due primarily to the finalization of a large number of cases opened in prior years that were accepted for prosecution. With the FY 2017 budget request, TIGTA plans to develop new special agents' skills and abilities through training and mentoring programs designed to maintain a high level of performance. The FY 2017 budget request will provide funding for TIGTA to enhance its performance of investigative activities and support maintaining the performance goal of 81 percent for FY 2017.

3.1.2 – Investigations Budget and Performance Plan

Dollars in Thousands

Investigations Budget Activity									
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Request	
Appropriated Resources	\$94,579	\$94,694	\$94,390	\$89,452	\$95,748	\$101,476	\$102,175	\$103,614	
Reimbursable Resources	(\$442)	\$949	\$0	\$400	\$1,100	\$429	\$900	\$900	
Budget Activity Total	\$94,137	\$95,643	\$94,390	\$89,852	\$96,848	\$101,905	\$103,075	\$104,514	

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percentage of Results from Investigative Activities	86.0	82.0	89.0	90.0	92.0	93.0	79.0	81.0	81.0

Section 4 – Supplemental Information

4A – Summary of Investments

Technology Investments - TIGTA has no major IT investments based on criteria of the OMB and the Department of the Treasury. Several non-major investments, however, directly support the mission, strategy, and day-to-day operations of the bureau including:

- **IT Applications and Collaboration** - This investment represents an enterprise view of TIGTA's applications development responsible system design, development, testing, deployment and maintaining information applications systems (i.e., CRIMES, formerly known as PARIS).
- **IT Infrastructure End User Systems and Support** - This investment is an enterprise view of TIGTA's end user hardware (desktop, laptop, handheld devices), peripherals (local and shared printers) and software (operating systems, office automation suites, messaging and groupware), and help desk.
- **IT Infrastructure Mainframe and Servers Services and Support** - This investment represents an enterprise view of TIGTA's servers, including hardware and software operations, licensing, maintenance, back-up, continuity of operations, disaster recovery, virtualization and data center consolidation.
- **IT Infrastructure Telecommunications** - This investment represents an enterprise view of TIGTA's data networks and telecommunications hardware and software operations, licenses, maintenance, back-up, continuity of operations, and disaster recovery.
- **IT Security Systems & Enterprise Architecture** - This investment represents an enterprise view of TIGTA's IT investments related to cyber security systems related to TIGTA's electronic systems in accordance with the Federal Information Security Management Act, and enterprise architecture services.

Law Enforcement Vehicles - Effective FY 2014, TIGTA acquires its vehicles by lease through the General Services Administration. However, TIGTA will maintain ownership of approximately 10 surveillance/communications vehicles. These vehicles will remain part of TIGTA's capital asset strategy. The vehicles will be used to support TIGTA's investigations and must meet the mission-critical need to conduct criminal law enforcement activities. TIGTA communications vehicles also are used in support of its Continuity of Operations (COOP) Plan. COOP provides a mechanism for the organization to recover full operational capability following a critical incident, including the capability to communicate during a local or national emergency.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

Community Development Financial Institutions Fund

FY 2017
President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

The mission of the Community Development Financial Institutions Fund (CDFI Fund) is to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States.

1.1 – Appropriations Detail Table

Dollars in Thousands

Community Development Financial Institutions Fund Appropriated Resources	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
	Enacted		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Community Development Financial Institutions Program	0	152,400	0	153,423	0	153,423	0	0	0%	0%
Bank Enterprise Award Program	0	18,000	0	19,000	0	19,000	0	0	0%	0%
Native American CDFI Assistance Program	0	15,000	0	15,500	0	15,500	0	0	0%	0%
Administration	79	23,100	79	23,600	87	26,000	8	2,400	10.13%	10.17%
Healthy Food Financing Initiative	0	22,000	0	22,000	0	22,000	0	0	0%	0%
Small Dollar Loan Program	0	0	0	0	0	10,000	0	10,000	0%	N/A
Subtotal New Appropriated Resources	79	\$230,500	79	\$233,523	87	\$245,923	8	\$12,400	10.13%	5.31%
Other Resources:										
User Fees*	0	1,040	0	1,059	0	1,269	0	210	0%	19.83%
Recovery from Prior Years	0	3,924	0	5,200	0	5,200	0	0	0%	0%
Unobligated Balances from Prior Years	0	10,856	0	5,500	0	5,500	0	0	0%	0%
Subtotal Other Resources	0	\$15,820	0	\$11,759	0	\$11,969	0	\$210	0%	1.79%
Total Budgetary Resources	79	\$246,320	79	\$245,282	87	\$257,892	8	\$12,610	10.13%	5.14%

*Portion reflects authorization of the Bond Guarantee Program

1B – Vision, Priorities, and Context

The CDFI Fund's vision is to economically empower America's underserved and distressed communities. Our priority is to advance the Department of the Treasury's Strategic Goal No. 1: *Promote domestic economic growth and stability while continuing reforms of the financial system.* The CDFI Fund is uniquely positioned as the federal government entity whose primary mission is to build the capacity of CDFIs to provide loans, investments, business counseling, basic banking services, and financial literacy training to underserved and distressed communities.

Since its creation in 1994, the CDFI Fund has awarded almost \$2.3 billion to CDFIs, community development organizations, and insured depository institutions through the CDFI Program, the Native American CDFI Assistance Program (NACA Program), Healthy Food Financing Initiative (HFFI), and the Bank Enterprise Award (BEA) Program. In addition, the CDFI Fund has allocated \$43.5 billion in New Markets Tax Credit (NMTC) allocation authority through the NMTC Program to Community Development Entities (CDEs), and awarded \$80 million through the Capital Magnet Fund (CMF). Under the FY 2013, FY 2014, and FY 2015 authorities in the CDFI Bond Guarantee Program, the Department of the Treasury provided seven bond guarantees totaling \$852 million to Qualified Issuers that provided bond loans to sixteen Eligible CDFIs.

The CDFI Fund continues to experience growth in the demand for its award programs:

- CDFI Program -- For the FY 2015 funding round of the CDFI Program, the CDFI Fund received 356 qualified applications **requesting more than \$435 million** in total funding. In addition, the CDFI Fund received applications from 33 qualified organizations **requesting**

over \$101 million for the Healthy Food Financing Initiative-Financial Assistance (HFFI-FA) Program. In September 2015, the CDFI Fund announced that 152 organizations received \$160 million in CDFI Program awards. Additionally, 11 organizations received \$22 million in HFFI-FA awards.

- NACA Program -- For the FY 2015 NACA Program funding round, the CDFI Fund received 54 qualified applications **requesting \$34 million** in funding. In September 2015, the CDFI Fund announced that 43 organizations received nearly \$20 million in NACA Program awards.
- NMTC Program -- For the CY 2014 NMTC Program allocation round, the CDFI Fund received 263 qualified applications **requesting approximately \$19.9 billion** in total allocation authority, and made 76 awards totaling approximately \$3.5 billion. The CDFI Fund opened the CY 2015 NMTC Program award round in October 2015.
- BEA Program -- For the FY 2015 BEA Program funding round, the CDFI Fund received 103 qualified applications **requesting approximately \$177 million** in awards. In September 2015, the CDFI Fund announced that 83 organizations received approximately \$18.1 million in BEA Program awards.
- CDFI Bond Guarantee Program -- For FY 2015, the maximum guarantee authority was \$750 million and the CDFI Fund received six guarantee applications seeking a total of \$680 million in guarantee authority. In FY 2015, the Department of the Treasury provided three bond guarantees totaling \$327 million to Qualified Issuers that provided bond loans to nine Eligible CDFIs.

FY 2015 Priorities and Progress

In FY 2015, the CDFI Fund focused on a number of priority initiatives related to its award programs and business processes.

Priority 1: CDFI Program Evaluation: The CDFI Fund released two evaluation reports in March 2015 that provide the first-ever analysis and evaluation of the effectiveness of CDFIs compared to mainstream lenders. The first report, *CDFIs Stepping Into the Breach: An Impact Evaluation Summary Report*, undertaken by Michael Swack, Eric Hangen and Jack Northrup from the Carsey School of Public Policy at the University of New Hampshire, is an analysis of the impact of financial assistance awards from the CDFI Program on CDFI loan fund recipients. The second report, *Introduction to Risk and Efficiency among CDFIs: A Statistical Evaluation using Multiple Methods*, conducted by Gregory Fairchild from the Darden School of Business at the University of Virginia and Ruo Jia from the Stanford Graduate School of Business, is an analysis of CDFI banks and credit unions to assess their risk of failure and their operational efficiency relative to mainstream financial institutions.

The reports concluded that CDFIs are resilient and a reliable resource for capital in underserved communities, manage risk as well as more conventional lenders, and perform as efficiently as mainstream financial institutions. The reports recommended that the CDFI Fund better measure the performance and impact of CDFIs. In response to these findings, the CDFI Fund developed the Annual Certification and Data Collection Report that all certified CDFIs will be required to complete. The CDFI Fund will use this data to better understand the structure and performance of

the CDFI industry. As discussed below, this is one component of the CDFI Fund's risk assessment framework.

Priority 2: Expanding CDFI Investments in Underserved Areas: In FY 2014, the CDFI Fund launched a new multi-year capacity building initiative called "Expanding CDFI Investments in Underserved Areas." This initiative was developed in response to a Congressional request, backed by funding in the CDFI Fund's FY 2014 appropriation, to expand the reach of CDFIs into underserved communities. In FY 2015, the CDFI Fund provided advanced training and technical assistance to CDFIs, including one-on-one assistance and peer cohort forums, to increase their presence and investment activity in underserved communities. The CDFI Fund's Virtual Resource Bank made the materials and toolkit from the three free, in-person training sessions conducted in FY 2015 available to the public. In FY 2016, the CDFI Fund will conduct 15 recorded technical assistance webinars on topics related to expanding CDFI coverage in underserved areas and provide additional online resources on topics related to market analysis, expanding business operations and models, capitalizing CDFIs, forming new entities, measuring CDFI impact, and increasing collaboration and partnerships.

Priority 3: Native CDFI Capacity and Sustainability: In FY 2014, the CDFI Fund launched a multi-year capacity building initiative called "*Building Native CDFIs' Sustainability and Impact*" to develop a multifaceted training and technical assistance program to support Native CDFIs' efforts to become sustainable and achieve greater impact in Native Communities. In FY 2015, this initiative provided a wide range of specialized training, technical assistance, and peer learning opportunities designed to meet the unique needs of Native CDFIs at all stages of growth. Additionally, the CDFI Fund commissioned a report on access to capital for Native Communities to be released in FY 2016.

Priority 4: CDFI Fund Capacity Building Initiative Innovation Challenge: In May 2015, the CDFI Fund launched an Innovation Challenge as part of its capacity building activities. This initiative was developed using funding provided in the FY 2015 appropriation to expand CDFI investments in underserved communities. The goal of the challenge was to support the development of methods, models, tools, or products that the CDFI industry could use to expand or increase investments in underserved areas. The CDFI Fund awarded a contract of \$947,000 to the Association for Enterprise Opportunity (AEO) to build and test an online tool for matching CDFIs with small businesses in low-income areas that need investment.

Priority 5: Implement the Award Management Information System (AMIS): In FY 2015, the CDFI Fund began replacing its legacy awards management system with the launch of AMIS, an integrated, enterprise-wide cloud-based solution. The benefits of AMIS will include increased efficiency in processing grant, loan, bond, and tax credit applications, greater accuracy, and transparency of program data, and better integration of information across programs. AMIS will be implemented in phases over several years. In FY 2016, the CDFI/NACA, CMF, BEA and NMTC Programs will be converted to AMIS, including certification, funding applications, and disbursement of awards. Subsequent phases to be implemented in FY 2017 include conversion of the BGP and compliance for all programs.

Priority 6: CDFI Assessment and Risk Management Framework: The CDFI Assessment and Risk Management Framework is a set of tools that will allow the CDFI Fund to improve the certification and award-making processes, more accurately assess the performance of CDFIs, more efficiently manage compliance risk and better track industry-wide trends. In FY 2015, the CDFI Fund completed Minimum and Prudent Standards (MAPS) that will serve as the core risk metrics for CDFIs across programs and completed a review of key performance measures and risk factors for the Annual Certification and Data Collection Report (see below). In FY 2016, the CDFI Fund will design and test application assessment tools for the CDFI/NACA program and for compliance. The build out and implementation of these tools will begin in FY 2017.

Priority 7: Annual Certification and Data Collection Report: In 2015, the CDFI Fund developed the Annual Certification and Data Collection Report that all certified CDFIs will be required to complete. Data collected from the report will be entered into an industrywide database that will help the CDFI Fund better understand the structure and performance of the industry as a whole. The report has been approved by the Office of Management and Budget (OMB) in accordance with the Paper Reduction Act. The report will be implemented in calendar year 2016.

Priority 8: Bank Enterprise Award (BEA) Program Evaluation: In 2015, the CDFI Fund began an evaluation of the BEA Program. The objective is to assess the program's performance and determine the extent to which the program has increased bank investments in CDFIs and underserved areas. The evaluation will include a detailed analysis of the evolution of the program, the characteristics of applicants and awardees, and the types and levels of activities undertaken by applicants, awardees, and peer banks in the communities they serve. A written survey and in-depth interviews will also be conducted by the research team led by A. Reddix and Associates, the Woodstock Institute, and the National Community Reinvestment Coalition. The evaluation will be completed in 2016.

Priority 9: NMTC Program Compliance Risk Research: In FY 2015 the CDFI Fund began work on a study to address issues related to monitoring NMTC Program outcomes and mitigating compliance risks throughout the seven-year tax credit reporting period. The NMTC Program allocation agreement establishes programmatic and compliance reporting requirements to ensure the tax credit is delivering maximum public benefit to qualified low-income community businesses. The study will analyze the financial structures associated with different investments and project types and their programmatic and compliance outcomes. The key compliance risks include the complexity of investment structures and the variation in project types and costs, which make it difficult to determine the investor rate of return, the costs of capital to qualified borrowers, and the fees to borrowers and investors. In addition, there is a recognized need to improve financial monitoring of allocatees and sub-allocatees and to assess the effectiveness of the financing structure in bringing investment projects to completion. The research will be completed by March 31, 2017.

Priority 10: Capital Magnet Fund (CMF): CMF was authorized by the Housing and Economic Recovery Act of 2008 (HERA), which requires the Government Sponsored Enterprises (GSEs), Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) to set aside annual allocations to fund CMF. The Federal Housing Finance Agency (FHFA), acting as the GSEs' conservator, temporarily suspended these allocations

before they began, and Congress appropriated \$80 million to fund an initial round of the CMF in FY 2010. In December 2014, the FHFA lifted its suspension of the GSEs' allocation and directed the GSEs to begin allocating funds for the CMF for calendar year 2015. The CDFI Fund anticipates opening the second round of funding in early 2016.

Priority 11: CDFI Fund Strategic Plan: The CDFI Fund is creating a new five-year strategic plan. In order to create a viable plan informed by the needs of communities, the CDFI Fund hosted a national listening tour during the summer of 2015. Intended to foster discussion and engagement among local community development leaders and practitioners, the listening tour was co-hosted by the CDFI Fund, the Federal Reserve Bank of San Francisco, Federal Reserve Bank of Kansas City-Denver Branch, Federal Reserve Bank of Chicago, Federal Reserve Bank of New York, and Federal Reserve Bank of Atlanta. Participants at each session included community development experts, thought leaders, and practitioners, including speakers from the Federal Reserve Banks and local CDFIs. Over 300 individuals participated in-person and another 70 participated in conference calls. Another 280 individuals responded to an electronic survey with questions that mirrored the topics discussed in the listening sessions. The CDFI Fund will use input from the sessions to shape the high-level framework, as well as a strategic plan that aligns with Treasury's strategic plan. The CDFI Fund expects to complete its strategic plan by the end of FY 2016.

FY 2016 and FY 2017 Priorities

In FY 2016 and FY 2017, the CDFI Fund will continue to implement the following programs:

- CDFI Program,
- Native American CDFI Assistance Program,
- Healthy Food Financing Initiative,
- New Markets Tax Credit Program,
- Bank Enterprise Award Program,
- CDFI Bond Guarantee Program, and
- Capital Magnet Fund.

Additionally, the CDFI Fund will continue to prioritize the use of data and evidence in its programs and operations. Specifically, during FY 2016, the CDFI Fund will:

- Continue efforts to develop and implement the CDFI Assessment and Risk Management Framework;
- Fully implement AMIS to automate business processes, strengthen internal operations and enhance reporting capabilities;
- Deploy the CDFI Annual Certification and Data Collection Report;
- Release the BEA Program evaluation;
- Continue work on the compliance research project for the NMTC Program begun in October 2015, which is scheduled to be completed by March 31, 2017;
- Continue to build capacity for CDFIs to expand investments in underserved rural areas; and
- Release the "Access to Credit and Capital in Native Communities" report.

FY 2017 Budget Request

The CDFI Fund requests the following for FY 2017:

- \$153.4 million for the CDFI Program to provide FA and TA awards, training and technical assistance. Through the CDFI Program, the CDFI Fund makes awards to invest in and build the capacity of CDFIs to serve low-income communities lacking adequate access to affordable financial products and services. The proposed budget supports FA and TA awards to CDFIs to further goals that include, among others:
 - Economic development (job creation, small business lending, and commercial real estate development);
 - Affordable housing development (housing development and homeownership);
 - Provision of financial services (such as basic banking services to underserved communities); and
 - Provision of development services (such as financial literacy or homebuyer counseling and education).
- \$19 million for the BEA Program, which incentivizes insured banks and thrifts to invest in CDFIs and increase their lending and financial services in economically distressed communities.
- \$15.5 million for FA and TA awards for the NACA Program, which provides awards and training to CDFIs that primarily serve Native Communities and to entities proposing to become or create Native CDFIs. These awards will increase access to credit, capital, and financial services in Native Communities.
- \$26 million in administrative funding to support a variety of purposes, including:
 - Staffing and resource demands created by significant growth across all programs, including the CDFI/NACA Program, NMTC Program, CDFI Bond Guarantee Program, and Capital Magnet Fund;
 - Administration of non-monetary programs and activities, including compliance monitoring and CDFI certification;
 - Enhancement of existing management and information systems including the integration of the Community Investment Impact System into AMIS and improvement of operational efficiency and effectiveness.
 - Development of the Community Development Impact Measuring Estimator (CDIME) modeling tool to standardize the reporting of job and social impact performance measures.
- \$22 million for HFFI awards to CDFIs to expand financing for healthy food options in underserved urban and rural communities.
- \$10 million for the Small Dollar Loan Program to provide CDFIs with FA grants to establish loan loss reserve funds and TA grants for capacity building. This funding will encourage CDFIs to address the issue of predatory lending in their communities and provide an alternative to payday lenders.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Community Development Financial Institutions Fund	FTE	Amount
FY 2016 Enacted	79	\$233,523
Changes to Base		
Maintaining Current Levels (MCLs)	0	\$412
Pay-Raise	0	\$100
Pay Annualization	0	\$33
Non-Pay	0	\$279
Non-Recurring Costs	0	(\$337)
Research and Evaluation (Data Collection)	0	(\$337)
Subtotal Changes to Base	0	\$75
Total FY 2017 Base	79	\$233,598
Program Changes		
Program Increases	0	\$12,325
Administration	8	\$2,325
Small Dollar Loan Program	0	\$10,000
Subtotal Program Changes	0	\$12,325
Total FY 2017 Request	87	\$245,923

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$412,000 / +0 FTE

Pay-Raise +\$100,000 / +0 FTE

Funds are requested for the proposed January 2017 pay-raise.

Pay Annualization +\$33,000 / +0 FTE

Funds are requested for annualization of the January 2016 pay-raise.

Non-Pay +\$279,000 / +0 FTE

Funds are requested for non-labor costs such as travel, contracts, rent, and equipment.

Non-Recurring Costs: -\$337,000 / +0 FTE

Administration - Research and Evaluation (Data Collection) -\$337,000 / +0 FTE

The CDFI Fund will non-recur a portion of research and evaluation funding. This reduction will not impact on-going research and evaluation initiatives.

Program Increases: +\$12,325,000 / +8 FTE

Administration +\$2,325,000 / +8 FTE

This increase will allow the CDFI Fund to allocate an estimated \$74 million in awards under the Capital Magnet Fund (CMF) and to develop the Community Development Impact Measuring Estimator (CDIME) modeling tool. Awards made through the CMF program will be funded by annual transfers from Fannie Mae and Freddie Mac pursuant to the Housing and Economic Recovery Act of 2008 (HERA).

The CDIME modeling tool will standardize the reporting of job and social impact performance measures. This web-based modeling tool will draw on a variety of data sources from major federal statistical agencies including the Census Bureau, Center for Economic Studies, Bureau of

Economic Analysis, Department of Labor and Housing and Urban Development to develop statistical estimates for industry- and community-level outcomes, such as job creation and retention rates, and various community impacts for a given level of investment. The CDIME will improve reporting data quality and lay the foundation for more robust performance measurement. Currently, the impact data collected by the CDFI Fund is self-reported and not validated. CDIME will allow for external validation of impact data, making it a more reliable tool for evaluating program effectiveness.

Small Dollar Loan Program + \$10,000,000 / + 0 FTE

The CDFI Fund requests \$10 million to support the Small Dollar Loan Program. This funding will be used to encourage CDFIs to address the issue of predatory lending in their communities and provide an alternative to payday lenders. Small dollar loans typically carry higher credit risk and transaction costs than other types of loans in a CDFI's portfolio. Financial Assistance grants will provide funding for loan loss reserves to mitigate the increased risk of default by the borrower. Technical Assistance grants will assist in offsetting higher loan origination and servicing costs. Section 1206 of the Dodd–Frank Wall Street Reform and Consumer Protection Act (P.L. 111–203) defines small dollar loans as those that do not exceed \$2,500. CDFIs will be required to provide non-federal matching funds in an amount equal to 50 percent of the amount received from the CDFI Fund. An estimated 10 awards will be provided through this initiative.

Section 2 – Budget Adjustments and Appropriations Language

2.2 – Operating Levels Table

Dollars in Thousands

Community Development Financial Institutions Fund Object Classification	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
11.1 - Full-time permanent	7,869	8,030	8,163
11.9 - Personnel Compensation (Total)	7,869	8,030	8,163
12.0 - Personnel benefits	2,046	2,238	2,273
Total Personnel Compensation and Benefits	\$9,915	\$10,268	\$10,436
21.0 - Travel and transportation of persons	177	93	93
22.0 - Transportation of things	4	4	4
23.3 - Communication, utilities, and misc charges	225	225	225
24.0 - Printing and reproduction	125	100	100
25.1 - Advisory and assistance services	6,473	6,073	7,073
25.2 - Other services	118	118	118
25.3 - Other purchases of goods & serv frm Govt accounts	4,954	6,130	7,722
25.5 – Research and development contracts	1,023	500	163
26.0 - Supplies and materials	56	59	59
31.0 - Equipment	30	30	30
41.0 – Grants, subsidies, and contributions	207,400	209,923	219,900
Total Non-Personnel	220,585	223,255	235,487
Subtotal New Appropriated Resources	\$230,500	\$233,523	\$245,923
Budget Activities:			
Community Development Financial Institutions Program	156,457	165,023	165,123
Bank Enterprise Award Program	18,132	19,000	19,000
Native American CDFI Assistance Program	18,695	15,500	15,500
Administration	29,986	23,759	26,269
Healthy Food Financing Initiative	23,050	22,000	22,000
Small Dollar Loan Program	0	0	10,000
Total Budgetary Resources*	\$246,320	\$245,282	\$257,892
FTE	79	79	87

*This table includes all available resources, including annual appropriations, available multi-year appropriations, reimbursable resources and offsetting collections and user fees

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND</p> <p>To carry out the Riegle Community Development and Regulatory Improvements Act of 1994 (subtitle A of title I of Public Law 103–325), including services authorized by section 3109 of title 5, United States Code, but at rates for individuals not to exceed the per diem rate equivalent to the rate for EX-3, \$[233,523,000]245,923,000. Of the amount appropriated under this heading—</p> <p>(1) not less than \$153,423,000, notwithstanding section 108(e) of Public Law 103–325 (12 U.S.C. 4707(e)) with regard to Small and/or Emerging Community Development Financial Institutions Assistance awards, is available until September 30, [2017]2018, for financial assistance and technical assistance under subparagraphs (A) and (B) of section 108(a)(1), respectively, of Public Law 103–325 (12 U.S.C. 4707(a)(1)(A) and (B)), of which up to \$[3,102,500]2,882,500 may be used for the cost of direct loans: <i>Provided</i>, That the cost of direct and guaranteed loans, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: <i>Provided further</i>, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed \$25,000,000;</p> <p>(2) not less than \$15,500,000, notwithstanding section 108(e) of Public Law 103–325 (12 U.S.C. 4707(e)), is available until September 30, [2017]2018, for financial assistance, technical assistance, training and outreach programs designed to benefit Native American, Native Hawaiian, and Alaskan Native communities and provided primarily through qualified community development lender organizations with experience and expertise in community development banking and lending in Indian country, Native American organizations, tribes and tribal organizations, and other suitable providers;</p> <p>(3) not less than \$19,000,000 is available until September 30, [2017]2018, for the Bank Enterprise Award program;</p> <p>(4) not less than \$22,000,000, notwithstanding subsections (d) and (e) of section 108 of Public Law 103–325 (12 U.S.C. 4707(d) and (e)), is available until September 30, [2017]2018, for a Healthy Food Financing Initiative to provide financial assistance, technical assistance, training, and outreach to community development financial institutions for the purpose of offering affordable financing and technical assistance</p>	<p>Revises the direct loan cost allowance based on updated subsidy rate.</p>

<p>to expand the availability of healthy food options in distressed communities;</p> <p>(5) up to \$[23,600,000]26,000,000 is available until September 30, [2016]2018, for administrative expenses, including administration of CDFI fund programs and the New Markets Tax Credit Program, of which [not less than \$1,000,000 is for capacity building to expand CDFI investments in underserved rural areas, and] up to \$300,000 is for administrative expenses to carry out the direct loan program; [and]</p> <p><i>(6) not less than \$10,000,000 is available until September 30, 2018, to provide grants for loan loss reserve funds and to provide technical assistance for small dollar loan programs under section 1206 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111–203);</i></p> <p>([6]7) during fiscal year [2016]2017, none of the funds available under this heading are available for the cost, as defined in section 502 of the Congressional Budget Act of 1974, of commitments to guarantee bonds and notes under section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4713a): <i>Provided</i>, That commitments to guarantee bonds and notes under such section 114A shall not exceed \$[750,000,000]1,000,000,000: <i>Provided further</i>, That such section 114A shall remain in effect until September 30, [2016]2017. <i>(Department of the Treasury Appropriations Act, 2016.)</i></p>	<p>Extends the availability of Administration funding by one year to match program funding availability and removes capacity building text which is not part of the FY 2017 request.</p> <p>Provides funding for the Small Dollar Loan Program.</p> <p>Extends the Bond Guarantee Program through FY 2017.</p>
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2C – Legislative Proposals

Treasury recommends extension of the CDFI Bond Guarantee Program through FY 2017.

Justification

The CDFI Bond Guarantee Program provides CDFIs access to a significant source of capital. By providing guarantees of bonds issued by Qualified Issuers, the CDFI Bond Guarantee Program injects new and substantial capital into our nation's most distressed communities. CDFIs can gain from the potential scale of the CDFI Bond Guarantee Program, which offers low-cost, long-term credit for the development of commercial real estate, rental housing, senior living, daycare or healthcare centers, small businesses, and rural infrastructure, among others. This will further close the gap of financing in these communities, generate new credit information in these market segments, and yield the benefit of lower financing costs for borrowers in these underserved communities. These benefits will be realized at no cost to taxpayers because the program requires no subsidy.

Treasury proposes the following legislative changes: (i) to extend the CDFI Bond Guarantee Program through FY 2017; (ii) to reduce the minimum bond issue size from \$100 million to \$25 million; (iii) to permit the Secretary to adjust the risk-share pool payment requirement, based on the borrower's credit quality, from zero to four percent; (iv) to collect a mandatory one percent fee from all borrowers; and (v) to revise the relending account language to correct a technical drafting error.

Suggested Legislative Language (same language proposed in the FY 2016 President's Budget)

SEC. 126. AMENDMENTS TO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS BOND PROGRAM. Section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4713a) is amended— (a) in subsection (c)(2) by striking ", multiplied by an amount equal to the outstanding principal balance of issued notes or bonds"; (b) by amending subsection (d) to read as follows— "(d) RISK-SHARE POOL.— Each qualified issuer shall, during the term of a guarantee provided under the Program, establish a risk-share pool, capitalized by contributions from eligible community development financial institution participants in amounts that shall not exceed 4 percent of the guaranteed amount outstanding on the subject notes and bonds, which contribution amounts shall be determined by the Secretary for each eligible community development financial institution participant based on the Secretary's assessment of the participant's credit quality."; (c) in subsection (e)(2)(B), by striking "\$100,000,000" and inserting "\$25,000,000"; (d) in subsection (g) by amending the subsection to read as follows: "(g) FEES.— "(1) IN GENERAL.— "(A) QUALIFIED ISSUER.—A qualified issuer that receives a guarantee issued under this section on a bond or note shall pay a fee to the Secretary, in an amount equal to 10 basis points of the amount of the unpaid principal of the bond or note guaranteed. "(B) ELIGIBLE CDFI PARTICIPANT.—An eligible community development financial institution participant that receives a bond loan under this section shall pay a fee to the Secretary, in an amount equal to 1 percent of the unpaid principal of the bond or note guaranteed. "(2) PAYMENT. — "(A) QUALIFIED ISSUER.—A qualified issuer shall pay the fee required under paragraph (1)(A) on an annual basis. "(B) ELIGIBLE CDFI PARTICIPANT.—An eligible community development financial institution participant shall pay the fee required under paragraph (1)(B) at the time of loan disbursements to the participant."(3) USE OF FEES.—Fees collected by

the Secretary— "(A) under paragraph (1)(A) shall be used to reimburse the Department of the Treasury for any administrative costs incurred by the Department in implementing the Program established under this section and shall be available until expended; and "(B) under paragraph (1)(B) shall be deposited by the Secretary into an account that shall be available to the Secretary to cover credit subsidy costs and to pay principal and interest on the guaranteed bonds or notes in the event of a delinquency in repayment of loans to eligible community development financial institution participants."; and (e) in subsection (k), by striking "2014" and inserting "2017".

Section 3 – Budget and Performance Plan

3A – Administration

(\$26,000,000 from direct appropriations):

This budget activity encompasses the CDFI Fund's operational support and management activities for each of its award programs and supports the CDFI Fund's Strategic Goal No. 4: To increase resource and human capital management to maximize performance, efficiency, and program results. This includes, among other activities, developing regulations, notices of funding availability, and application materials; reviewing and evaluating certification and funding applications; selecting awardees; finalizing the terms of award agreements; making disbursements; collecting and evaluating performance data; and monitoring awardees' compliance. All of these tasks support activities that allow the CDFI Fund to carry out its overall mission.

Description of Performance:

The CDFI Fund's administrative performance metrics measure progress in enhancing its program administrative business processes to enable quicker award decisions and disbursement of award funds.

The CDFI Fund's two administrative measures are organization-wide efficiency measures based on the weighted average of the number of applications/awards across all programs.

- The *All-application-award Cycle Time* performance target was set at 7 months for FY 2015 and FY 2016. In FY 2015, the application-award target was missed by more than one month because of a change in matching funds requirements under the December 2014 appropriation language which required supplemental notification of applicants and additional reviews of the applicant's matching funds documentation. The seven-month target has been retained for both FY 2016 and 2017 because the CDFI Fund has revised its internal policies and procedures to improve the cycle time performance through implementation of new application review and matching funds procedures. In addition, once the CDFI Fund's new Awards Management Information System (AMIS) is fully deployed, the application cycle time should benefit from the automation of application intake and review.
- The *All-Award-Disbursement Cycle Time* measures in months how quickly the CDFI Fund manages to disburse 85 percent of program funds after the award announcement. The FY 2015 target was set at 4 months. The FY 2015 results will be available in February 2016, four months after the last award announcement, when the relevant data is available. Internal projections indicate the CDFI Fund will not meet its FY 2015 target due to changes in award disbursement processes required by the Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Uniform Guidance requires that grant funds be disbursed in tranches as opposed to single disbursements. Accordingly, the CDFI Fund plans to revise this measure to reflect time to initial disbursement and establish new baseline targets in FY 2016.

The *All-Affordable Housing* measure captures the number of affordable housing units developed or produced as a result of CDFI Fund awards, as reported by CDFI, NMTC and CMF program awardees. The actual results of 27,004 affordable housing units for FY 2015 fell short of the ambitious target of 36,000 units. The target was missed due to changes in housing investments across programs. There were declines in housing lending by CDFI awardees largely due to a

decline in the number of awardees focusing on housing (3,000 fewer units than the prior year), a slight decline in NMTC housing investments (540 fewer than the prior year) and a deferral of the completion of 1,300 CMF funded housing units to 2016. These trends illustrate the difficulty in projecting targets for activities not directly required under awardees' assistance agreements. A provisional target is retained for 2016 which does not factor in results from future rounds of funding for CMF. Please note that for CMF awards made in FY 2016, the outcomes will not be reported until FY 2018.

3.1.1 – Administration Budget and Performance Plan

Dollars in Thousands

Administration Budget Activity Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Appropriated Resources	\$13,797	\$18,602	\$22,965	\$21,764	\$24,636	\$23,100	\$23,600	\$26,000
Budget Activity Total	\$13,797	\$18,602	\$22,965	\$21,764	\$24,636	\$23,100	\$23,600	\$26,000

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
ALL - Award Cycle Time (months)	N/A	7.4	6.5	6.8	7.1	8.3	7.0	7.0	7.0
ALL - Disbursement Cycle Time (months)	N/A	2.0	3.1	4.5	4.5	4.5*	4.0	4.5	4.5
ALL - Number of Affordable Housing Units Developed or Produced (units)	N/A	19,083	27,433	26,391	32,621	27,004	36,000	29,000	29,000

Key: DISC - Discontinued

*Projected results. The earliest this measure can be reported is February 2016 (four months after the last award announcement).

3B - Community Development Financial Institutions Program

(\$153,423,000 from direct appropriations):

The CDFI Program supports the CDFI Fund's Strategic Goal No. 1: To expand the capacity of financial institutions to provide credit, capital, and financial services to low-income and underserved populations. Through the CDFI Program, the CDFI Fund makes FA awards to CDFIs that have comprehensive business plans for creating community development impact and that demonstrate the ability to leverage private sector sources of financing, as well as TA grants to CDFIs and entities proposing to become CDFIs.

Description of Performance:

The CDFI Fund revised its performance measures for the CDFI financial assistance program to better measure the impact of CDFI awardees in distressed communities and on underserved populations. The CDFI Fund worked with Treasury's Office of Performance Budgeting (OPB) and Office of Strategic Planning and Performance Improvement (OSPPI) to develop two new measures: (1) percentage of loans and investments originated in eligible distressed communities or made to underserved populations as measured against the total amount of loans originated by awardees, and; (2) the percentage of loans and investments originated in eligible distressed communities or to underserved populations as measured by the total number of loans originated by awardees.

These two measures demonstrate the impact of CDFI awardees in serving eligible distressed communities and underserved populations by lending reported during the program year. Certification procedures require that all certified CDFIs must originate 60 percent or more of their loans and investments in eligible distressed census tracts or to underserved populations. The target is a threshold that must be met or exceeded recognizing the need for CDFIs to balance their mission to service distressed communities and underserved populations against their safety and soundness considerations. In FY 2015 the CDFI Program surpassed the 60 percent threshold for both the percentage in the amount and number of CDFI loans made to eligible distressed communities and underserved populations. There are annual fluctuations in the percentage loans deployed to distressed communities and underserved populations due to annual changes in the cohort of CDFI awardees and changes in their loan originations necessary to maintain their safety and soundness considerations while meeting their commitments and mission as a certified CDFI.

3.1.2 – CDFI Program Budget and Performance Plan

Dollars in Thousands

CDFI Program Budget Activity Resource Level	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Enacted	FY 2017 Request
Appropriated Resources	\$107,600	\$162,830	\$146,035	\$138,397	\$146,364	\$152,400	\$153,423	\$153,423
Budget Activity Total	\$107,600	\$162,830	\$146,035	\$138,397	\$146,364	\$152,400	\$153,423	\$153,423

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
CDFI - Percentage of Loans & Investments Originated to Eligible Distressed communities or Underserved Populations by Dollar Amount (percentage)	74.80%	66.30%	84.90%	77.10%	70.80%	80.10%	60.00%	60.00%	60.00%
CDFI - Percentage of Loans & Investments Originated to Eligible Distressed communities or Underserved Populations by Number of Loans (percentage)	65.10%	60.60%	70.30%	79.60%	60.70%	80.20%	60.00%	60.00%	60.00%

Key: DISC - Discontinued

3C – New Markets Tax Credit Program

(\$0 from direct program appropriations):

Through the NMTC Program, the CDFI Fund facilitates new investment in low-income communities by attracting private sector capital to these communities through tax credits. These objectives align with the CDFI Fund's Strategic Goal No. 2 – Increased public and private investment in distressed communities eligible to be served by the CDFI Fund's programs. Individual and corporate investors may receive a credit against their federal income taxes in exchange for making equity investments in Community Development Entities (CDEs) that, in turn, use such proceeds to finance businesses and real estate projects in low-income communities. The investor's tax credit equals 39 percent of the amount invested and is taken over seven years. On December 18, 2015, Congress extended the authorization of the NMTC program for \$3.5 billion per year through 2019.

Description of Performance:

The 2014 NMTC investment authority was allocated in FY 2015 due to delayed passage of the authorizing legislation. In the 2014 round, the NMTC Program awarded \$3.5 billion in NMTC investment authority to 76 CDEs, out of a pool of applicants requesting \$19.9 billion.

The target for qualified low-income community investments (QLICIs) in FY 2015 was set at \$5 billion to reflect the actual annual tax credit authority requested. The target was not met because the prior year's tax credit authority was limited to \$3.5 billion, although actual investments reported were \$3.02 billion. The 2011-2013 trends reflect the effect of higher tax credit authority at \$5 billion and the subsequent decrease in 2014 for QLICIs reflects the lower levels of tax credit authority rather than program's effectiveness. The CDFI Fund will consider replacement measures in FY 2016.

A complementary measure of the NMTC program performance is the percentage of loans and investments in severely distressed communities. 75.2 percent of loans and investments were made in severely distressed communities in FY 2015, exceeding the target of 72 percent. This performance indicates that NMTC investors continue to meet their commitments in severely distressed communities. The targets for FY 2016 and FY 2017 are set at 72 percent.

3.1.3 – New Markets Tax Credit Program

Dollars in Thousands

New Markets Tax Credit Budget Activity								
Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Appropriated Resources	\$4,203	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Budget Activity Total	\$4,203	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Community Development Entities' Annual Qualified Low-Income Community Investments (\$ billions)	3.1	4.7	5.5	4.8	4.0	3.0	5.0	3.5	3.5
NMTC-Percentage of Loans and Investments that went into Severely Distressed Communities (percentage)	73.4%	72.4%	70.4%	78.5%	73.8%	75.2%	72.0%	72.0%	72.0%

Key: DISC - Discontinued

3D – Bank Enterprise Award Program

(\$19,000,000 from direct appropriations):

Through the BEA Program, the CDFI Fund encourages insured depository institutions to increase investments and services in distressed communities and to provide financial assistance and support to CDFIs. These objectives align with the CDFI Fund's Strategic Goal No. 2 – Increased public and private investment in distressed communities eligible to be served by the CDFI Fund's programs.

Description of Performance: This measures the Bank Enterprise Award (BEA) applicants' increase in qualified community development activities over the prior year. The BEA target of \$723.5

million was not met in FY 2015 but the results are consistent with trends over time. In FY 2014, the measure hit an all-time high of \$723.5 million but fell to \$459.9 million in FY 2015. The decline most likely reflects a delayed response by applicants to reductions in program funding and uncertainty about the future of the program. The targets for FY 2016 and FY 2017 have been set at the FY 2015 performance level pending an ongoing program evaluation.

The CDFI Fund initiated an evaluation of the BEA Program in FY 2015. The evaluation will examine the program's performance and potentially lead to the adoption of alternative program performance measures. The current measure can fluctuate widely from year to year, as shown in table 3.1.4, due to external factors such as the level of funding set by Congress. The evaluation is scheduled to be complete in FY 2016.

3.1.4 – Bank Enterprise Award Program

Dollars in Thousands

Bank Enterprise Award Program Budget Activity								
Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Appropriated Resources	\$25,000	\$21,956	\$18,000	\$17,058	\$18,000	\$18,000	\$19,000	\$19,000
Budget Activity Total	\$25,000	\$21,956	\$18,000	\$17,058	\$18,000	\$18,000	\$19,000	\$19,000

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
BEA - Increase in Community Development Activities Over Prior Year For All BEA Program Applicants (\$ million)	290.0	268.3	432.4	493.5	723.5	459.9	723.5	460.0	460.0

Key: DISC - Discontinued

3E – Native American CDFI Assistance Program

(\$15,500,000 from direct appropriations):

Through the NACA Program, the CDFI Fund assists entities in overcoming barriers that prevent access to credit, capital, and financial services in American Indian, Alaska Native, and Native Hawaiian communities. The CDFI Fund makes monetary awards to increase the number and capacity of existing or new Native CDFIs (i.e., CDFIs that serve Native communities). In addition, the NACA Program provides training to help strengthen and develop Native CDFIs. Native CDFIs lend where others have not, and are serving the poorest in Native communities. In order for Native CDFIs to make a larger economic impact within their communities, they require further technical assistance and capacity building. With increased capacity building, Native CDFIs could, for example, expand their lending from an initial offering of micro-loans to making larger small business loans to better promote economic activity. These objectives align with the Department of the Treasury's Strategic Goal 1: *Promote domestic economic growth and stability while continuing reforms of the financial system.*

Description of Performance: These output measures reflect the number and amount of loans or investments originated by Native American CDFI awardees in a given year. In FY 2015, the target was missed for originations but exceeded for number of loans. These measures are difficult to forecast due to variability in NACA awardee originations. The CDFI Fund is exploring potential changes to these measures to mirror those of the CDFI Program (see above table 3.1.2), which

track the impact of a program on target populations as opposed to aggregate output. The targets for FY 2016 and FY 2017 have been set at the FY 2015 performance level pending a review of potential changes.

3.1.5 – Native American CDFI Assistance Program

Dollars in Thousands

Native American CDFI Assistance Program Budget Activity								
Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Appropriated Resources	\$12,000	\$11,352	\$12,000	\$11,372	\$15,000	\$15,000	\$15,500	\$15,500
Budget Activity Total	\$12,000	\$11,352	\$12,000	\$11,372	\$15,000	\$15,000	\$15,500	\$15,500

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
NACA - Amount of Loans/Investments Originated (Annual) (Dollars in Millions)	N/A	14.7	21.2	23.2	100.5	68.0	164.0	68.0	68.0
NACA - Number of Loans/Investments Originated (Annual)	N/A	1,004	1,170	1,508	2,230	2,424	1,860	2,424	2,424

Key: DISC - Discontinued

3F – Healthy Food Financing Initiative

(\$22,000,000 from direct appropriations):

The Healthy Food Financing Initiative (HFFI) aims to eliminate “food deserts” – low-income urban and rural areas in the United States with limited access to affordable and nutritious food – by financing interventions that expand the supply of and demand for nutritious foods, including increasing the distribution of agricultural products, developing and equipping grocery stores, and strengthening producer-to-consumer relationships.

This budget activity supports the CDFI Fund’s Strategic Goal No. 1: *To expand capacity of financial institutions to provide credit, capital, and financial services to low-income and underserved populations.* Through the HFFI, the CDFI Fund awards CDFI Program funds to certified CDFIs to help address the need for healthy food in underserved and low-income communities. These organizations use federal grants, below market-rate loans, loan guarantees, and tax credits to attract private sector financing for projects that increase access to healthy food options.

Description of Performance:

The primary HFFI performance measure is the number of healthy food options created and maintained in low-income areas that have been identified through detailed census tract analysis as having limited access to healthy food options. In FY 2015, the number of HFFI Retail outlets created was 35, which is well short of the target of 47 outlets. There is considerable variation in both size and type of HFFI retail outlet investments, making accurate targeting difficult. Additional research is being conducted to develop more robust target estimates, although this may require additional data collection from awardees. The targets for FY 2016 and FY 2017 have been set at 35 outlets created or preserved.

3.1.6 – Healthy Food Financing Initiative

Dollars in Thousands

Healthy Food Financing Initiative Budget Activity								
Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Appropriated Resources	\$0	\$0	\$22,000	\$20,849	\$35,000	\$22,000	\$22,000	\$22,000
Budget Activity Total	\$0	\$0	\$22,000	\$20,849	\$35,000	\$22,000	\$22,000	\$22,000

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
HFFI - Retail Outlets Created/Preserved	N/A	N/A	B	31.0	33.0	35.0	47.0	35.0	35.0

Key: DISC - Discontinued

3G - Capital Magnet Fund Program

(\$0 from direct appropriations):

The Capital Magnet Fund (CMF), administered by the CDFI Fund, was authorized by the Housing and Economic Recovery Act of 2008 (HERA), which called for recurrent funding of the CMF through assessments on securities of the Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac. GSE funding for CMF was temporarily suspended in November of 2008 by the Federal Housing Finance Agency (FHFA) under its HERA authority. In FY 2010, Congress appropriated \$80 million for an initial CMF funding round; however, no appropriations were made in subsequent years. In December 2014, the FHFA instructed the GSEs to begin setting aside and allocating funds to the CMF pursuant to HERA. This budget activity aligns with the Department of the Treasury's Strategic Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system.

From the 2010 funding round, the CDFI Fund announced \$80 million in competitively awarded grants to 23 CDFIs and qualified non-profit housing organizations serving 38 states. The CMF awards have been used to increase capital investment for the development, preservation, rehabilitation, and purchase of affordable housing for low-, very low-, and extremely low-income families, and for related economic development activities, including community services facilities. No CMF funding has been appropriated since FY 2010.

Awardees received their Assistance Agreements in July 2011 and disbursements of grant funding later that year. As required by the Assistance Agreement, funds were committed to projects within two years of the agreement (July 2013) and disbursed within three years of the agreement (July 2014). All projects must be completed within five years of agreement (July 2016). Awardees committed to leveraging the CMF award by at least 10 times with other sources of capital, as well as committed to projects that meet percentages of targeted incomes and geographies.

The CDFI Fund reopened the CMF program in January 2016 following FHFA's decision to lift its suspension of the GSEs' allocations under the Housing and Economic Recovery Act of 2008. The CDFI Fund estimates \$74 million will be awarded in the FY 2016 round.

Description of Performance:

The primary performance measures of the CMF were the number of affordable housing units for which CMF funding was a source of financing and the degree to which private funding sources were leveraged by CMF financing. Data are included in performance table 3.1.1 above.

Awardee reports available through September 30, 2015 indicate the following results for CMF-financed affordable housing and community development activities, based on investments through the end of the awardees' prior year activities:

Total number of affordable homes under development or completed with CMF financing include: 9,887 (net addition of 1,129);

- Affordable rental homes financed: 8,813 (net addition of 900);
- Affordable homeowner-occupied homes financed: 1,074 (net addition of 229); includes assistance to 328 income-eligible first-time homebuyers;
- Leverage: 1:20 (This ratio does not include leverage from the reinvestment of funds. The target set by Congress was 10 times leveraging.)

3H - CDFI Bond Guarantee Program

The Small Business Jobs Act of 2010 (Public Law 111-240) created the CDFI Bond Guarantee Program. Bonds issued under the program support CDFI lending activity in underserved communities by providing a source of long-term capital. Qualified Issuers (CDFIs or their designees) issue bonds that are guaranteed by the Secretary of the Treasury and use the bond proceeds to make loans to Eligible CDFIs for eligible community and economic development purposes. Bond maturity cannot exceed 30 years. Under the FY 2013, FY 2014, and FY 2015 guarantee authorities, Treasury provided seven bond guarantees in the total amount of \$852 million to Qualified Issuers that provided bond loans to sixteen Eligible CDFIs. The CDFI Bond Guarantee Program provided longer term capital to the Eligible CDFIs in comparison to their traditional sources of debt capital. The weighted average bond loan term-to-maturity under the program is 18.78 years versus the average loan maturity of ten years or less for the loans provided by the majority of the lenders to the CDFI industry. The CDFI Bond Guarantee Program provides the Eligible CDFIs five years from the bond issuance date to disburse the bond loans. Since the inception of the program, the Eligible CDFIs disbursed \$165 million or 19% of the bond loans to three of the twelve asset classes: commercial real estate, charter schools, and rental housing. The proposed disbursement plan for the Eligible CDFIs includes the remaining nine asset classes: small business, healthcare facilities, rural infrastructure, senior living and long-term care, daycare centers, owner-occupied homes, not-for-profit organizations, loans to CDFIs, and loans to financing entities.

The following objectives have been identified for the program for FY 2017:

- Approval of up to \$1 billion in guarantees; and
- A review of the annual compliance assessment of the Master Servicer/Trustee, Qualified Issuers, and Eligible CDFIs.

3.1.7 – Bond Guarantee Program Resource Detail Table

Dollars in Thousands

Bond Guarantee Program							
Resource Level	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Request
Obligations			\$325,000	\$200,000	\$327,000	\$750,000	\$1,000,000
Loan Limitation Obligation Authority			-	\$750,000	\$750,000	\$750,000	\$1,000,000

3.1.8 – Financing Accounts – Non-Budgetary Summary

Dollars in Thousands

Bond Guarantee Program							
Resource Level	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Request
Obligations			\$325,000	\$200,000	\$327,000	\$750,000	\$1,000,000
Collections			-	\$356	\$2,966	\$13,400	N/A

Includes the principal and interest repayments and a 10 basis point fee for administrative expenses pursuant to Section 1134 of the Small Business Jobs Act of 2010. These amounts assume a zero subsidy rate with bond loan disbursements of \$38 million, \$119 million, and \$235 million in FY 2014, FY 2015, and FY 2016, respectively.

Section 4 – Supplemental Information

4A – Summary of Capital Investments

As part of its FY 2017 capital investment strategy, the CDFI Fund plans to spend approximately \$6.58 million on Information Technology (IT). The CDFI Fund has no major IT investments, nor any capital investments other than IT.

Non-Major IT Investments

For FY 2017, the CDFI Fund has identified two non-major IT investments; AMIS, described below, and the Community Investment Impact System (CIIS), which will be retired in FY 2017 as its IT system capabilities will be implemented within AMIS.

The CDFI Fund's capital investment strategy is to become a consumer of commodity IT services (e.g., IT infrastructure services) and to focus its limited resources on IT solutions that directly support the mission of the CDFI Fund. One important mission-focused IT modernization activity is the implementation of AMIS — an enterprise, commercial, cloud-based solution that will replace the CDFI Fund's legacy business systems. The first AMIS deployment went live in September 2015 with full deployment planned for September 2016. AMIS capabilities will continue to be expanded by adding the CDFI Program Risk Assessment Framework, and reporting capabilities currently provided by CIIS.

IT Infrastructure Investments

The CDFI Fund's IT infrastructure is managed via an Interagency Agreement with the Alcohol and Tobacco Tax and Trade Bureau (TTB). Treasury has seen numerous benefits from the CDFI Fund/TTB arrangement. It increases utilization of Treasury data centers, and enables the CDFI Fund to leverage existing Disaster Recovery and Continuity of Operations capabilities. With TTB, the CDFI Fund avoids software upgrade costs by using TTB's enterprise software licenses, stops duplicative services (such as Web monitoring and filtering), and eliminates contracts used to maintain the CDFI Fund's IT infrastructure.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at:

<http://www.treasury.gov/about/budget-performance/pages/summary-of-capital-investments.aspx>.

This website also contains a digital copy of the plan.

Financial Crimes Enforcement Network

FY 2017
President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

The Financial Crimes Enforcement Network’s (FinCEN) mission is to safeguard the financial system from illicit use, and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

1.1 – Appropriations Detail Table

Dollars in Thousands

Financial Crimes Enforcement Network Appropriated Resources	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
	Enacted		Enacted		Request		\$ Change		% Change	
	FT	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
BSA Administration and Analysis	345	112,000	343	112,979	343	115,003	0	2,024	0.00%	1.79%
Subtotal New Appropriated Resources	345	\$112,000	343	\$112,979	343	\$115,003	0	\$2,024	0.00%	1.79%
Other Resources:										
Reimbursables	1	3,000	1	1,500	1	1,500	0	0	0.00%	0.00%
Recovery from Prior Years	0	500	0	500	0	500	0	0	0.00%	0.00%
Unobligated Balances from Prior Years	0	50,000	0	42,000	0	38,000	0	(4,000)	0.00%	-9.52%
Subtotal Other Resources	1	\$53,500	1	\$44,000	1	\$40,000	0	(\$4,000)	0.00%	-9.09%
Total Budgetary Resources	346	\$165,500	344	\$156,979	344	\$155,003	0	(\$1,976)	0.00%	-1.26%

1B – Vision, Priorities, and Context

In carrying out its mission, FinCEN has numerous statutory areas of responsibility: developing and issuing regulations under the Bank Secrecy Act (BSA); enforcing compliance with the BSA in partnership with law enforcement and other regulatory partners; serving as the U.S. Financial Intelligence Unit (FIU) and maintaining a network of information sharing with FIUs in more than 147 partner countries; receiving millions of new financial reports each year; securing and maintaining a database of over 190 million reports; analyzing and disseminating financial intelligence to federal, state, and local law enforcement, federal and state regulators, foreign FIUs, and industry; and bringing together the disparate interests of law enforcement, FIUs, regulatory partners, and industry.

FinCEN plays an important role in this country’s comprehensive strategy to disrupt, degrade, and ultimately defeat terrorist groups such as al-Qa’ida and the Islamic State of Iraq and the Levant (ISIL). FinCEN analyzes information collected through its unique authorities, and produces intelligence to counter terrorist financing both at a tactical and strategic level. On a tactical level, FinCEN shares its financial intelligence products with law enforcement, the intelligence community, and the Egmont Group of FIUs. At a strategic level, FinCEN’s efforts help inform policymakers as they develop and refine national and multilateral strategies to combat terrorist networks, including multilateral efforts under the auspices of the Financial Action Task Force (FATF).

FinCEN is a bureau in the U.S. Department of the Treasury. FinCEN directly supports the Department's strategic goal to "safeguard the financial system and use financial measures to counter national security threats." The Director of FinCEN reports to the Under Secretary for Terrorism and Financial Intelligence (TFI). FinCEN supports the following Treasury Strategic Objectives: 4.1 Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector; 4.2 Develop, implement, and enforce sanctions and other targeted financial measures; and 4.4 Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards. FinCEN's activities support its two strategic goals: safeguard the financial system from evolving money laundering and national security threats; and maximize the sharing of financial intelligence between FinCEN and its domestic and foreign partners in government and private industry.

FinCEN also supports the Agency Priority Goal (APG) to employ a proactive, intelligence-driven approach to focus enforcement efforts against high priority threats. This goal is aligned to Treasury Strategic Objective 4.4. FinCEN leverages new technology, data, analytical resources, tools, and methodologies to identify high priority threats to the financial system. FinCEN uses this intelligence to focus its enforcement efforts against high priority threats, and assess civil monetary penalties, impose injunctions, issue special measures under Section 311 of the USA PATRIOT Act, and apply geographic targeting orders, as appropriate. FinCEN also uses this intelligence to help focus the enforcement actions of partner law enforcement and regulatory agencies in the United States and abroad. In FY 2015, 19 enforcement actions were completed due to FinCEN's improved processes and prioritization strategies. Some of these enforcement actions include delivering actionable, tactical analysis on priority threats on a proactive basis to FinCEN enforcement personnel and partner law enforcement and regulatory agencies in the United States and abroad. In FY 2015, 1,478 intelligence products related to national security priorities were completed. FinCEN was able to achieve this performance by continuing to use technology to facilitate proactive, intelligence-driven analysis and delivering analytic products on priority threats.

FinCEN's priorities include:

- Target examination and enforcement efforts to high risk and priority areas, with increased focus on money services businesses;
- Expand understanding and analysis of illicit networks, institutions, jurisdictions, and schemes, with emphasis on national security threats and terrorist groups such as ISIL;
- Ensure the BSA regulatory structure effectively and efficiently targets illicit financing risks;
- Manage the efficient collection, processing, and retrieval of BSA data; and
- Foster strong public-private partnerships with the financial industry.

FY 2015 Progress:

- Initiated Global Rapid Response Program, recovering or restraining \$128.9 million in funds obtained through cyber-enabled crimes targeting financial institutions and their clients before such funds could be dissipated by criminals.
- Initiated daily tactical reporting of terrorism-related financial intelligence to law enforcement, foreign partners and the intelligence community.
- Issued 12 civil money penalties in FY 2015 compared to 6 in FY 2014. These penalties were

against financial institutions and/or owners for willful violations of the BSA, supporting compliance and outreach messages, in particular, those focused on the casino, virtual currency, and money remitter sectors.

- Issued four Geographic Targeting Orders (GTO) targeting priority money laundering threats such as tax fraud by identity theft, and the movement of U.S. dollar cash across the southern border and trade-based money laundering for priority drug trafficking organizations.
- Proposed a rule requiring certain investment advisers to establish anti-money laundering programs and report suspicious activity pursuant to the BSA.
- The number of automated rule findings received by FinCEN's advanced data analytics was 56,005 in FY 2015; in comparison, the total number of alerts generated throughout all of FY 2014 was 18,778. FinCEN analyzes these alerts for suspicious activity and disseminates relevant findings to law enforcement and financial institutions for further action.
- Implemented advanced analytics capabilities and improved the use and sharing of information on threats to the financial system; in FY 2015, FinCEN produced nearly quadruple the intelligence products compared to FY 2014.
- Issued two actions under Section 311 of the USA PATRIOT Act against foreign financial institutions of primary money laundering concern seeking to protect the U.S. financial system.
- Coordinated the multilateral efforts of 19 FIUs around the world to support Ukraine's efforts to recover assets misappropriated by its former regime, resulting in the seizure of over \$1.2 billion.
- Coordinated the multilateral efforts of 27 FIUs around the world to improve global information sharing on terrorist financing.

In terms of the larger operating environment, FinCEN contributes to efforts across all levels of government to focus resources on various external factors that threaten the financial system. Some of these factors include cyber threats, transnational organized crime, fraud against U.S. government programs, and transnational security threats, such as rogue regimes and terrorist organizations. These are serious threats to the nation and the financial system that demand strong public-private sector partnerships to ensure the appropriate laws and regulations are in place, and to leverage resources in a fiscally responsible manner.

Section 2 – Budget Adjustments and Appropriations Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Financial Crimes Enforcement Network	FTE	Amount
FY 2016 Enacted	343	\$112,979
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$1,824
Pay-Raise	-	\$528
Pay Annualization	-	\$175
Non-Pay	-	\$1,121
Efficiency Savings:	-	(\$1,300)
Efficiency Savings	-	(\$750)
Commercial Database Contract Savings	-	(\$550)
Subtotal Changes to Base	-	\$524
FY 2017 Base	343	\$113,503
Program Changes:		
Program Increases:		
National Security Response Capacity	-	\$1,500
FY 2017 Request	343	\$115,003

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) **+\$1,824,000 / +0 FTE**

Pay-Raise +\$528,000 / +0 FTE

Funds are requested for the proposed January 2017 pay-raise.

Pay Annualization +\$175,000 / +0 FTE

Funds are requested for annualization of the January 2016 pay-raise.

Non-Pay +\$1,121,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies, and equipment.

Efficiency Savings **-\$1,300,000 / +0 FTE**

Efficiency Savings -\$750,000 / +0 FTE

These efficiencies are a result of reductions in travel, printing, and savings realized through re-evaluated or negotiated contracts.

Commercial Database Contract Savings -\$550,000 / +0 FTE

These savings are the result of renewed contract pricing for open source commercial databases used in FinCEN's intelligence analysis. These savings resulted from Treasury's strategic sourcing initiative that renegotiated contract pricing on several commercial databases and from reassessment of usage categories.

Program Increases \$1,500,000 / +0 FTE
National Security Response Capacity +\$1,500,000 / +0 FTE

FinCEN will use these funds to sustain increased contractor support for FinCEN's intelligence analysis and reporting for efforts against ISIL. In FY 2015, FinCEN used efficiencies to temporarily increase the number of contractor personnel who process alerts on BSA filings and develop reports for dissemination to FinCEN customers in law enforcement, the intelligence community, and foreign FIUs. These customers indicate the enhanced level of support has aided investigations and increased their capacity to address an increasing number of threats from groups like ISIL. The benefits of this additional support are reflected in FinCEN's performance measures. As of the third quarter of FY 2015, the number of intelligence products related to priority threats increased by 75 percent from FY 2014. Similarly, 56,005 red flag alerts for suspicious activity in bank filings were produced and shared with partners, compared to 18,778 in FY 2014. FinCEN anticipates an even greater workload in FY 2017 as a result of emerging threats.

This funding will be used to sustain a successful response to national security emergencies that external partners have come to rely on. The demand for FinCEN's financial intelligence has solidified the need for the bureau to continue to support critical national security activities whenever they arise. In many cases, FinCEN is the only link between the intelligence community and the financial intelligence maintained pursuant to the reporting obligations under the BSA. The information available from FinCEN's new capability to provide red flag alerts on BSA filings has become extremely valuable to the intelligence and law enforcement community. Therefore, FinCEN's profile in the national security area was increased in 2015 to help combat al-Qa'ida, ISIL, and other terrorist groups. To continue the level of support that law enforcement and the intelligence community have come to rely on, and address any emerging issues, FinCEN needs additional funding to sustain current levels of contractor support.

FinCEN harnesses the collection power of the nearly 120,000 financial institutions in the United States and when a pressing threat arises, can amass large amounts of relevant data to enable the bureau and its partners to take targeted action. FinCEN requires U.S. financial institutions to report certain transactions, including cash transactions over set thresholds and activity financial institutions deem to be suspicious through the BSA and its implementing regulations. Financial institutions file approximately 50,000 reports per day in response to these regulatory requirements. To screen these filings, automated business rules are developed to identify BSA reports that merit further review. For example, business rules related to ISIL alone generate over 800 matches each month for further review and exploitation. Although the business rules are automated based on current needs, this funding provides contractor staff required to review and analyze the individual BSA filing alerts for relevance and nominate actionable reports for Flash Report production. The reports are then distributed to key law enforcement partners, the intelligence community, and Egmont FIUs. The demand for this type of financial intelligence is growing and has solidified a continuing role and need for FinCEN to support critical national security activities.

2.2 – Operating Levels Table

Dollars in Thousands

Financial Crimes Enforcement Network Object Classification	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
11.1 - Full-time permanent	31,993	41,115	41,817
11.3 - Other than full-time permanent	322	408	408
11.5 - Other personnel compensation	516	205	205
11.9 - Personnel Compensation (Total)	32,831	41,728	42,430
12.0 - Personnel benefits	10,122	12,259	12,260
13.0 - Benefits to former personnel	75	0	0
Total Personnel Compensation and Benefits	\$43,028	\$53,987	\$54,690
21.0 - Travel and transportation of persons	587	607	615
23.1 - Rental payments to GSA	5,405	4,101	4,461
23.2 - Rental payments to others	34	31	32
23.3 - Communication, utilities, and misc charges	1,194	1,649	1,670
24.0 - Printing and reproduction	42	200	207
25.1 - Advisory and assistance services	752	1,097	1,097
25.2 - Other services	8,493	14,914	16,041
25.3 - Other purchases of goods & serv frm Govt accounts	7,788	9,211	9,496
25.4 - Operation and maintenance of facilities	0	740	740
25.6 - Medical care	192	171	174
25.7 - Operation and maintenance of equip	13,368	18,629	17,979
26.0 - Supplies and materials	338	319	326
31.0 - Equipment	1,930	7,323	7,475
Total Non-Personnel	40,123	58,992	60,313
Subtotal New Appropriated Resources	\$83,151	\$112,979	\$115,003
Budget Activities:			
BSA Administration and Analysis	120,627	156,979	155,003
Total Budgetary Resources¹	\$120,627¹	\$156,979	\$155,003
FTE	276	344	344

¹ FY 2015 Actual includes annual appropriations, available multi-year appropriations, reimbursable resources, offsetting collections, and user fees.

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY FINANCIAL CRIMES ENFORCEMENT NETWORK Federal Funds</p> <p style="text-align: center;">SALARIES AND EXPENSES:</p> <p>For necessary expenses of the Financial Crimes Enforcement Network, including hire of passenger motor vehicles; travel and training expenses of non-Federal and foreign government personnel to attend meetings and training concerned with domestic and foreign financial intelligence activities, law enforcement, and financial regulation; services authorized by 5 U.S.C. 3109; not to exceed \$10,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, [\$112,979,000] \$115,003,000, of which not to exceed \$34,335,000 shall remain available until September 30, [2018] 2019.</p>	

2C – Legislative Proposals

FinCEN has no legislative proposals

Section 3 – Budget and Performance Plan

3A – BSA Administration and Analysis

(\$115,003,000 from direct appropriations, and \$1,500,000 from reimbursable resources):

The programs funded by this budget activity support Treasury Strategic Goal 4: “Safeguard the financial system and use financial measures to counter national security threats.” This activity comprises FinCEN’s efforts to develop and issue regulations under the BSA; enforce compliance with the BSA in partnership with regulatory partners and as the sole BSA regulator across numerous industries; receive BSA reports and maintain a database; analyze and disseminate financial intelligence to federal, state, and local law enforcement, federal and state regulators, foreign FIUs, and industry; and serve as the U.S. FIU and maintaining a network of information sharing with FIUs in partner countries. The goal owner for this budget activity is the Director of FinCEN.

FinCEN tracks the percentage of users finding that financial intelligence collected by FinCEN pursuant to its regulations provides valuable information to safeguard the financial system, combat money laundering, and counter terrorist financing. This measure supports Treasury Strategic Objective 4.4 and FinCEN Strategic Objective 1.1 to adopt strong AML/CFT regulatory safeguards. The survey looks at the value of FinCEN data, such as whether the data provided unknown information, supplemented or expanded known information, verified information, helped identify new leads, opened a new investigation or examination, supported an existing investigation or examination, or provided information for an investigative or examination report. In FY 2015, FinCEN surpassed its target of 82 percent with 83 percent finding value. FinCEN attained this result by placing greater emphasis on both in-person and online training that will better assist users in understanding and utilizing the new FinCEN Query tool for their unique cases and situations. In FY 2016, the target is 84 percent and 85 percent in FY 2017.

FinCEN tracks the percentage of AML/CFT supervisors who indicate that FinCEN’s enforcement actions have resulted in increased compliance by covered financial institutions. This measure supports the Treasury Strategic Objectives 4.2 and 4.4 and FinCEN Strategic Objective 1.2 to implement and enforce AML/CFT regulatory authorities and employ targeted financial measures against priority threats. The measure examines the survey responses of state and federal financial regulatory agencies with information sharing agreements. The agreements require the financial regulators to share examination results and provide a variety of statistical data on their examination results. The survey asks the respondents to rate the impact of enforcement actions on the level of compliance observed by examiners. This is a meaningful measure of the link between enforcement actions and financial institution compliance with the BSA reporting. Lax financial institution compliance with the BSA would negatively impact the quality of the financial data and ability to safeguard the financial system from illicit activity. In FY 2015, FinCEN surpassed its target of 80 percent with 88 percent finding enforcement actions have resulted in increased compliance. FinCEN was able to achieve this by enforcement and outreach. In FY 2016, the target is 89 percent and 90 percent in FY 2017.

In FY 2015, FinCEN began tracking the percentage of customers finding that FinCEN’s research, analysis, and advanced analytics contribute to the safeguarding of the financial system,

combating money laundering, and counter terrorist financing. This measure supports the Treasury Strategic Objective 4.1 and the FinCEN Strategic Objective 1.3 to use research, analysis, and advanced analytics to identify and explain priority threats to the financial system. In FY 2014, FinCEN discontinued the previous measure “percentage of domestic law enforcement finding FinCEN’s analytic reports contribute to the detection and deterrence of financial crime” as it found the measure and survey did not represent the new analytical products. FinCEN reevaluated and revamped the survey based on the new products and customers. In FY 2015, FinCEN baselined this performance with 96 percent finding the analysis contributed to the safeguarding of the financial system. FinCEN attributes this high level of performance to increased emphasis on the production of new products and by developing actionable intelligence. There were 1,478 intelligence products related to FinCEN priority targets in FY 2015 compared to 370 in FY 2014. The FY 2016 and FY 2017 targets are set at 96 percent until more trend data is available.

FinCEN measures the percentage of stakeholders finding FinCEN’s information sharing has contributed to their organization’s responsibilities. This supports the Treasury Strategic Objective 4.1 and the FinCEN Strategic Objective 2.1 to implement and manage programs to effectively network, coordinate, and share financial intelligence between FinCEN and its domestic and foreign partners in government and private industry. The measure examines the survey responses of customers who have had contact with FinCEN to exchange information, including industry, regulators, and law enforcement, both domestic and foreign. This is a fairly new composite measure that consists of the following questions: call center guidance response was understandable; rate the usefulness of the 314(a) requests FinCEN processed on behalf of your agency for investigations of financial crimes or money laundering; how satisfied are you with the information sharing you have with FinCEN; and over the past 12 months how satisfied are you with FinCEN. This is a meaningful measure as it tracks FinCEN’s efforts to share financial intelligence. In FY 2015, FinCEN surpassed its target of 89 percent with 91 percent finding the information sharing helpful. FinCEN was able to attain this performance by maximizing the sharing of financial intelligence between FinCEN and its domestic and foreign partners in government and private industry. The FY 2016 and FY 2017 targets are 92.

FinCEN tracks the percentage of users satisfied with FinCEN information sharing systems. This supports the Treasury Strategic Objective 4.1 and the FinCEN Strategic Objective 2.2 to develop and support effective technology systems to collect and analyze financial intelligence from private industry and share it with domestic and foreign government partners. The measure is based on survey responses and represents user satisfaction with the BSA E-Filing System, FinCEN Query, and the Egmont Secure Web. Starting with industry, FinCEN collects and maintains BSA reports filed by financial institutions and other filers. In turn, FinCEN provides authorized users (including Treasury and TFI) access to a query system containing 11 years of BSA data. FinCEN also provides foreign FIUs in the Egmont Group with a secure system for exchanging financial intelligence to combat money laundering and terrorist financing. This measure is meaningful because the technology allows authorized persons to more readily access BSA information and better enables them to conduct investigations more efficiently and effectively. In FY 2015, FinCEN exceeded its target of 78 percent with 80 percent of the users satisfied with information sharing systems. During FY 2015, FinCEN continued to address critical system issues and make minimal enhancement requests as part of its ongoing operations

and maintenance. FinCEN strives to provide systems with fast response times and has maintained an average 99.3 percent availability rate for its mission-essential systems. FinCEN also continues to receive positive feedback on the usefulness of the data it provides, as well as knowledgeable and courteous user support. In FY 2016 and FY 2017, targets are set at 80.

The FY 2015 Strategic Objective Annual Review (SOAR) found that TFI and FinCEN made “noteworthy progress” toward Treasury Strategic Objectives 4.1 and 4.2. Progress was made by improving the utilization and sharing of information on threats to the financial system. The number of automated rule findings by FinCEN’s advanced data analytics was 56,005 in FY 2015; in comparison, the total of such rule findings generated in FY 2014 was 18,778. FinCEN and Treasury’s Office of Intelligence and Analysis (OIA) collaborated to distribute Flash Reporting to the Intelligence Community via OIA’s Intelligence Information Reporting (IIR) program. Additionally, FinCEN worked with international FIUs to track assets leaving Ukraine, a groundbreaking cooperative effort. Consistent with the SOAR findings related to Treasury Strategic Objective 4.4, FinCEN will continue developing the regulation necessary to begin collecting cross-border electronic transmittals of funds (CBETF) data.

3.1.1 – BSA Administration and Analysis Budget and Performance Plan

Dollars in Thousands

BSA Administration and Analysis Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Enacted	Enacted	Enacted	Enacted	Enacted	Enacted	Enacted	Request
Appropriated Resources	\$110,010	\$110,788	\$110,788	\$104,993	\$112,000	\$112,000	\$112,979	\$115,003
Reimbursable Resources	\$20,000	\$20,000	\$20,000	\$3,000	\$2,000	\$3,000	\$1,500	\$1,500
Budget Activity Total	\$131,010	\$130,788	\$130,788	\$107,993	\$114,000	\$115,000	\$114,479	\$116,503

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percentage of Users Finding That the Financial Intelligence Collected by FinCEN Pursuant to its Regulations Provides Valuable Information to Safeguard the Financial System, Combat Money Laundering, and Counter Terrorist Financing	87.0	89.0	90.0	80.0	81.0	83.0	82.0	84.0	85.0
Percentage of AML/CFT Supervisors Who Indicate That FinCEN's Enforcement Actions Have Resulted in Increased Compliance by Covered Financial Institutions	N/A	N/A	N/A	N/A	81.0	88.0	80.0	89.0	90.0
Percentage of customers finding that FinCEN's research, analysis, and advanced analytics contribute to the safeguarding of the financial system, combating money laundering, and counter terrorist financing	N/A	N/A	N/A	N/A	N/A	96.0	N/A	96.0	96.0
Percentage of domestic law enforcement finding FinCEN's analytic reports contribute to the detection and deterrence of financial crime	N/A	80.0	86.0	83.0	81.0	Disc	Disc	Disc	Disc
Percentage of Stakeholders Finding FinCEN's Information Sharing Has Contributed to Their Organization's Responsibilities	N/A	N/A	N/A	N/A	89.0	91.0	89.0	92.0	92.0
Percentage of Users Satisfied with FinCEN Information Sharing Systems	N/A	N/A	N/A	N/A	78.0	80.0	78.0	80.0	80.0

Key: DISC - Discontinued

Section 4 – Supplemental Information

4A – Summary of Capital Investments

As the administrator of the BSA, FinCEN receives valuable information reported and collected under BSA requirements, which totaled approximately 18.5 million filings in FY 2015. To successfully fulfill its mission, FinCEN relies on secure, advanced IT to manage the collection, processing, storage, and dissemination of BSA information that contributes to the soundness and confidence in America's financial system.

FinCEN's IT strategy takes into account the growing need for financial institutions to meet obligations as efficiently as possible, while ensuring that FinCEN and law enforcement agencies receive accurate, timely, and reliable BSA information to track money trails, identify money laundering, and unravel terrorist financing networks. FinCEN's IT strategy focuses on the critical need to improve the quality and accessibility of its data and increase responsiveness to stakeholders by maintaining and building upon flexible and innovative technical solutions. The BSA IT Modernization investment entire life cycle cost, which includes the year the investment started (2010) through BY+4 (2021), is \$332 million (including FTE) and the FY 2017 cost is \$27.58 million (including FTE).

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at:
<http://www.treasury.gov/about/budget-performance/pages/summary-of-capital-investments.aspx>.

This website also contains a digital copy of this document.

Alcohol and Tobacco Tax and Trade Bureau

FY 2017
President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

To collect the taxes on alcohol, tobacco, firearms, and ammunition; protect the consumer by ensuring the integrity of alcohol products; and prevent unfair and unlawful market activity for alcohol and tobacco products.

1.1 – Appropriations Detail Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau Appropriated Resources	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
	Enacted		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Collect the Revenue	242	52,721	242	52,785	242	53,560	0	775	0.00%	1.47%
Protect the Public	231	47,279	252	53,654	252	52,879	0	(775)	0.00%	-1.44%
Subtotal New Appropriated Resources	473	\$100,000	494	\$106,439	494	\$106,439	0	\$0	0.00%	0.00%
Other Resources:										
Reimbursables	10	7,022	10	6,992	10	6,912	0	(80)	0.00%	-1.14%
Transfer In/Out	0	0	0	0	35	5,000	35	5,000	NA	NA
Subtotal Other Resources	10	\$7,022	10	\$6,992	45	\$11,912	35	\$4,920	350.00%	70.37%
Total Budgetary Resources	483	\$107,022	504	\$113,431	539	\$118,351	35	\$4,920	6.94%	4.34%

Note: The FY 2017 Request proposes a transfer of funds in the amount of \$5 million from the Internal Revenue Service's program integrity cap adjustment to TTB for tax enforcement and compliance.

1B – Vision, Priorities and Context

TTB is responsible for the administration and enforcement of the sections of the Internal Revenue Code of 1986 (IRC) associated with the collection of excise taxes on alcohol, tobacco, firearms, and ammunition, and the Federal Alcohol Administration (FAA) Act, which provides for the regulation of the alcohol beverage industry for the protection of U.S. consumers. The TTB mission is carried out according to two principal strategic goals that, briefly stated, are: collect the revenue and protect the public. TTB's strategic goal to collect the revenue is to ensure that industry remits the proper Federal tax on alcohol, tobacco, firearms, and ammunition products. This TTB goal supports the Treasury's strategic goal to fairly and effectively reform and modernize Federal financial management, accounting, and tax systems and the strategic objective to pursue tax reform and improve the execution of the tax code. TTB's strategic goal to protect the public is to ensure that alcohol and tobacco industry operators meet Federal permit qualification requirements, and alcohol beverage products comply with Federal production, labeling, and marketing requirements. This TTB goal supports the Treasury's strategic goal to promote domestic economic growth and stability, and the strategic objective to facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public. Various strategies and activities under these two TTB strategic goals contribute to the Treasury's strategic goal of creating a 21st-century approach to Government.

FY 2017 Priorities and Challenges

In Fiscal Year (FY) 2017, TTB will invest its resources in program activities that provide the greatest assurance that these industries are operating in compliance with tax and regulatory requirements, in the interest of collecting the excise taxes due and ensuring fair and lawful market activity.

Collect the Revenue

Increase Tax Collection Efficiencies and Voluntary Compliance

TTB is the third largest tax collection agency in the U.S. Government, after the IRS and U.S. Customs and Border Protection (CBP). In FY 2015, TTB collected \$22.3 billion in excise taxes and other revenues from nearly 11,700¹ taxpayers in the alcohol, tobacco, firearms, and ammunition industries. The return on investment for TTB's tax collection activities was 437:1 for FY 2015. As the most efficient means of tax administration, facilitating voluntary compliance remains a priority and, to this end, TTB will enhance its guidance related to Federal alcohol, tobacco, firearms, and ammunition laws and regulations, and explore diversifying its delivery methods to better reach the business community it regulates. Further, efforts to streamline regulations to reduce the compliance burden, enhance electronic filing systems, and improve internal processes should also contribute to continued positive returns on the investment in TTB. The bureau has developed and employed increasingly sophisticated risk modeling to complete targeted audits and revenue investigations into non-compliance. In FY 2015, these enforcement efforts resulted in a total of more than \$57 million in identified additional tax liabilities.

TTB collections are influenced by multiple factors:

- **Alcohol Tax Collections:** In FY 2015, TTB collected approximately \$8 billion in revenue from U.S. wineries, breweries, and distilleries, a nearly 1 percent increase over the prior year. Although economic forecasts predict continued modest growth in the U.S. alcohol industry as a whole, excise tax collections will likely remain relatively constant due to a number of variables, including increasing volumes in imports, for which CBP collects the tax; increasing volumes of exports, on which no tax is due; and declining sales by volume from the country's largest brewers, who account for over 90 percent of the beer sold in the U.S. The rapid expansion of small wineries, breweries, and distilleries will not entirely offset the declines in sales and tax payments by the large companies as small beer and wine producers are eligible for reduced tax rates or tax credits based on their production volume. This trend is expected to continue through FY 2017.
- **Tobacco Tax Collections:** In FY 2015, TTB collected \$13.6 billion in tobacco tax revenue, with collections remaining relatively constant compared to FY 2014. As forecasted, tobacco revenues have generally declined since FY 2010, the first full year of collections following the 2009 Federal tobacco tax rate increase. Higher prices on tobacco products have historically resulted in decreased consumption and increased illicit trade, which indicates that tobacco revenue will continue to decline. Further, recent analysis of tobacco collections has shown significant market shifts for tobacco products since 2009. The 2009 tax rate change introduced large Federal excise tax disparities among tobacco products, which created opportunities for tax avoidance and led manufacturers and price sensitive consumers to shift toward lower-taxed products. The growing popularity of electronic nicotine products, such as e-cigarettes, which are not subject to Federal excise tax unless they contain tobacco, could contribute to declining tobacco revenue in the future. TTB will continue to exercise its jurisdiction to support tax compliance and deter illicit trade.
- **Firearms and Ammunition Excise Tax (FAET) Collections:** FAET taxes are remitted to the Fish and Wildlife Restoration Fund for wildlife restoration, research, and hunter education

¹ Of the approximately 20,000 TTB permittees whose business operations are subject to Federal excise taxes, approximately 11,700 (58 percent) have activity that requires them to file a tax return and pay excise tax in FY 2015.

programs. In the past decade, collections have increased from \$250 million in FY 2006 to \$638 million in FY 2015, an increase of \$388 million, or a 155 percent growth in tax revenue. Historically, increases in reported FAET revenue can be attributed to growth in sales due to external factors as well as TTB's enforcement presence, which increases collections and promotes voluntary compliance.

Address and Deter Alcohol and Tobacco Diversion

Enforcing the tax code also requires that TTB address and deter illicit activity present in the marketplace. Failure to address illicit trade not only deprives governments of revenue, but also gives non-compliant actors an unfair competitive advantage over their lawful counterparts. Since the inception of TTB's criminal enforcement program in FY 2011, TTB's agents have opened a total of 91 cases, with identified liabilities of over \$551 million in evaded alcohol, tobacco, firearms, and ammunition excise taxes. TTB has also realized an almost 100 percent acceptance rate for cases presented to U.S. Attorneys for investigation, demonstrating both the strength and magnitude of these cases. Enforcement experience also indicates that criminal activity is not limited to the tobacco trade, with non-taxpaid product removals, illegal imports, and fraudulent labeling just a few of the schemes used to evade taxes, defraud American consumers, and undermine the legitimate alcohol trade.

In FY 2017, TTB will continue to identify and address high-risk activity and players in the tobacco and alcohol trades and, with continued program funding, to effectively deploy criminal agents to deter and interdict illicit trade. TTB's enforcement program utilizes the services of criminal enforcement agents on a reimbursable basis from the Internal Revenue Service Criminal Investigation division. Alcohol and tobacco diversion remain long-term tax enforcement challenges given the high profits to be gained from illegal activity, the relative ease of diversion, and the substantial revenue loss that it represents. The FY 2017 request includes \$2 million in the base budget for criminal enforcement and proposes a transfer of \$5 million from the IRS's requested program integrity cap adjustment for increased TTB enforcement and compliance programs to narrow the alcohol and tobacco tax gap and reduce the deficit through increased revenue collections.

Protect the Public

Improve Permitting Process

Industry growth in the number of alcohol beverage producers, driven by a boom in small breweries, distilleries, and wineries, has contributed to delays in permit processing times. TTB is meeting this challenge through its priority project to improve its business qualification process, including through enhancements to its electronic filing and processing environment. TTB achieved a significant milestone in FY 2015 by deploying a new release of Permits Online in February 2015, which added new system help features to improve submission compliance and addressed a bottleneck in the permit processing workflow. Early data indicated reduced processing times for new permits following the release, decreasing from a high of 95 days in January to 68 days in July, though these gains were not enough for TTB to achieve its annual performance target of 75 days in FY 2015. At year end, only 47 percent of permit applications met the 75-day service standard.

In FY 2016, TTB plans to improve service delivery through additional workflow and system enhancements to streamline both the filing and processing of permit applications. TTB continues

to make steady progress in the development of a new version of Permits Online. The new design will enhance usability for industry members and improve the compliance rate of submissions, reducing resubmitted applications and the overall workload volume that are contributing to delays. The redesigned system will also facilitate the electronic filing of permit amendments, a high volume activity that remains largely paper-based, which should further decrease processing times. With these efforts, TTB will be positioned to achieve sustained performance improvements by the end of FY 2017.

Modernize the Alcohol Beverage Labeling Program

The increase in the number of new alcohol beverage producers also influences the timely processing of label and formula applications. New producers often require extensive assistance during the label approval process and frequently submit applications that require correction, both of which add to processing times. The performance challenges caused by explosive industry growth and product innovation during a period of constrained TTB resources has spurred the bureau's priority project to modernize the Federal alcohol beverage labeling program. Through updates to Federal labeling regulations, the removal of requirements for label and formula approvals for certain low-risk products, and the implementation of system enhancements, TTB expects to eliminate current barriers to compliant trade caused by processing delays while maintaining adequate regulatory controls to ensure revenue collection and consumer protection.

Efforts to remove label approval requirements to date had been successful in temporarily reducing the volume of submissions; however, these reductions were offset in FY 2015 by increased filings that reached nearly 154,000 applications, an 8 percent increase over the prior year and well above the historic high reached in FY 2012. Similar efforts in the formula area were implemented in FY 2014, with a published ruling resulting in a more than 30 percent reduction in malt beverage formula submissions. However, as increases in formula submissions from the spirits and wine industries have since offset these reductions, TTB plans to proceed with guidance and rulemaking beginning in FY 2016 and continuing through FY 2017 to further reduce formula submissions across the alcohol beverage commodities. Additionally, as non-compliant applications are essentially doubling processing workloads, TTB will issue rulemaking to consolidate and clarify Federal labeling regulations to improve understanding and compliance with these complex regulations. TTB also is using the findings of its FY 2015 analyses of the reasons that applications are returned to industry for correction to implement system-based compliance checks that will improve the compliance of label and formula applications. At the proposed funding level, TTB would defer planned updates to the label and formula application systems in FY 2017.

In addition to these intervention strategies, TTB will significantly reduce label and formula application turnaround times through the addition of label specialists, formula specialists, and chemists who directly impact service times through their review of applications and product samples. The combination of staffing, improved guidance, and enhanced systems are necessary to provide a long-term solution to current processing delays that may limit potential revenue and negatively impact businesses.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau	FTE	Amount
FY 2016 Enacted	494	\$106,439
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$1,562
Pay-Raise	-	\$598
Pay Annualization		\$199
Non-Pay	-	\$765
Other Adjustments:	-	(\$1,562)
IT Investments in Application Systems	-	(\$1,562)
Subtotal Changes to Base	-	\$0
Total FY 2017 Base	494	\$106,439
Program Changes:		
Program Increase:	35	\$5,000
Alcohol and Tobacco Enforcement Program	35	\$5,000
Total FY 2017 Operating Level	529	\$111,439
Program Integrity Cap Adjustment Included in IRS Budget Request	-	(\$5,000)
Total FY 2017 Net Appropriation Request	529	\$106,439

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$1,562,000 / +0 FTE

Pay-Raise +\$598,000 / +0 FTE

Funds are requested for the proposed January 2017 pay-raise.

Pay Annualization +\$199,000 / +0 FTE

Funds are requested for the annualization of the 2016 pay raise.

Non-Pay +\$765,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, contracts, postage, supplies, and equipment.

Other Adjustments -\$1,562,000 / -0 FTE

IT Investments in Application Systems -\$1,562,000 / -0 FTE

TTB will defer additional IT enhancements for its labeling program modernization effort while continuing to retain the additional label specialists, formula specialists, and chemists hired to improve processing times of labels and formulas.

Program Increase +\$5,000,000 / +35 FTE

Alcohol and Tobacco Enforcement Program +\$5,000,000 / +35 FTE

The FY 2017 request includes a proposal to amend section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, to provide a program integrity cap adjustment of \$5 million for TTB's tax enforcement and compliance program to narrow the tax gap in the tobacco and alcohol industries and reduce the deficit through increased revenue collections. TTB's funding request is captured in the program integrity cap adjustment proposed in the IRS budget for both the IRS and TTB.

The proposed cap adjustment for TTB tax enforcement and compliance activities includes \$5 million in new, revenue-producing tax compliance initiatives in FY 2017 and \$5 million in additional new initiatives each fiscal year from 2018 through 2021, then remaining at a steady state through FY 2026. With this funding, TTB will target known points in the supply chain that are susceptible to diversion activity and prioritize forensic audits and investigations of high-risk entities and activity in the alcohol and tobacco industries. Because these new initiatives, as well as current enforcement activities, must be sustained over time in order to maximize their potential taxpayer returns, the total above-base adjustment funding is \$189 million over the 10-year period. Over this same time period, these additional investments will generate an estimated \$338 million in additional tax revenue. The net savings from these investments is \$149 million. In addition to the direct revenue impact from its enforcement efforts, an increased TTB enforcement presence also creates a deterrent effect in the marketplace that further contributes to tax compliance.

TTB Excise Tax Enforcement and Compliance Funding Summary
(in millions of dollars)

	2017	2018	2019	2020	2021	2017-2026
Cap Adjustment, Proposed BBEDCA (Discretionary Budget Authority)	5	10	14	18	23	189
Change from Prior Year		5	4	4	5	
Revenue	(3)	(8)	(16)	(25)	(35)	(338)
Change from Prior Year		(5)	(8)	(9)	(10)	
Net 10-Year Savings						(149)

Program Integrity Cap Adjustment Included in IRS Budget Request -\$5,000,000 / +0 FTE

This adjustment ensures that the program increase for TTB's tax enforcement program is reflected only once in the 2017 request as part of the IRS's program integrity cap adjustment proposal.

2.2 – Operating Levels Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau	FY 2015	FY 2016	FY 2017	FY 2017	FY 2017
Object Classification	Actual	Enacted	Request	Transfer from IRS	Total Discretionary Appropriation
11.1 - Full-time permanent	44,739	47,789	48,427	1,697	50,124
11.5 - Other personnel compensation	704	619	619	50	669
11.9 - Personnel Compensation (Total)	45,443	48,408	49,046	1,747	50,793
12.0 - Personnel benefits	14,015	14,244	14,403	373	14,776
13.0 - Benefits for former personnel	30	0	0	0	0
Total Personnel and Compensation Benefits	\$59,488	\$62,652	\$63,449	\$2,120	\$65,569
21.0 - Travel and transportation of persons	1,751	1,976	1,976	204	2,180
22.0 - Transportation of things	20	50	50	35	85
23.1 - Rental payments to GSA	4,193	4,400	4,400	0	4,400
23.3 - Communication, utilities, and misc charges	1,434	1,567	1,594	35	1,629
24.0 - Printing and reproduction	194	262	267	0	267
25.2 - Other services	21,417	25,390	24,352	950	25,302
25.3 - Other purchases of goods & serv frm Govt accounts	6,458	7,552	7,715	1,446	9,161
26.0 - Supplies and materials	395	490	499	35	534
31.0 – Equipment	3,077	2,100	2,137	175	2,312
Total Non-Personnel	38,939	43,787	42,990	2,880	45,870
Subtotal New Appropriated Resources	\$98,427	\$106,439	\$106,439	\$5,000	\$111,439
Budget Activities:					
Collect the Revenue	54,657	56,421	57,154	5,000	62,154
Protect the Public	49,902	57,010	56,197	0	56,197
Total Budgetary Resources	\$104,559	\$113,431	\$113,351	\$5,000	\$118,351
FTE	466	504	504	35	539

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p data-bbox="264 308 1057 411">DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU <i>Federal Funds</i></p> <p data-bbox="464 457 857 485">SALARIES AND EXPENSES</p> <p data-bbox="225 493 1099 999">For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, \$106,439,000; of which not to exceed \$6,000 for official reception and representation expenses; not to exceed \$50,000 for cooperative research and development programs for laboratory services; and provision of laboratory assistance to State and local agencies with or without reimbursement: Provided, That of the amount appropriated under this heading, [\$5,000,000 shall be for the costs of accelerating the processing of formula and label applications] <i>such sums as are necessary shall be available to fully support tax enforcement and compliance activities including tax compliance to address the Federal tax gap, as specified for purposes of Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.</i></p>	<p data-bbox="1122 493 1362 888">While the Budget proposes to remove the \$5 million earmark for accelerating the processing of formula and label applications, \$3.4 million remains in the base for this program.</p>

2C – Legislative Proposals

TTB has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Collect the Revenue

(\$53,560,000 from direct appropriations, \$3,594,000 from reimbursable resources, and a transfer of \$5,000,000):

This budget activity includes all tax processing, verification, enforcement, and outreach efforts related to administering the Federal tax code for alcohol, tobacco, firearms, and ammunition products, and supports the Treasury objective to pursue tax reform and improve the execution of the tax code. TTB collects approximately \$22 billion in Federal tax revenue annually from roughly 11,700 businesses, making TTB the third largest tax collection agency in the Federal Government. Members of the regulated industries that are subject to excise taxes are distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of cigarette papers and tubes, manufacturers of tobacco products, and manufacturers and importers of firearms and ammunition. TTB extends the reach of its enforcement resources through advanced analytics and risk-based audits and investigations. Further, as appropriate, TTB applies an interagency enforcement strategy through joint initiatives with local, state, Federal, and foreign Government counterpart agencies to maximize the deterrent impact of enforcement actions. To ensure a level playing field for all those engaged in the trade of these strictly regulated commodities, TTB also takes appropriate enforcement action to detect and address diversion activity to ensure all products sold in the marketplace are properly taxpaid.

Other Resources (Offsetting Collections/Reimbursables)..... \$3,594,000

Other resources that fund this budget activity include reimbursement for the operating costs of the TTB Puerto Rico field office, which are offset against the roughly \$350 million in taxes collected on the alcohol beverage products that are manufactured in Puerto Rico and imported to the United States (cover-over payments); reimbursement by the Community Development Financial Institutions Fund (CDFI) for TTB's IT services; and a nominal reimbursement from the Bureau of Alcohol, Tobacco, Firearms, and Explosives for laboratory services.

Other Resources (Transfer)..... \$5,000,000

The FY 2017 request also proposes a transfer of \$5 million from the proposed IRS program integrity cap adjustment to TTB for tax enforcement and compliance initiatives to narrow the tax gap in the tobacco and alcohol industries and reduce the deficit through increased revenue collections.

Description of Performance – Collect the Revenue:

In FY 2015, TTB met one of its two annual targets for the performance measures under the Collect the Revenue budget activity. Taken together, TTB's measures of the Amount of Revenue Collected per Program Dollar and the Percent of Voluntary Compliance from Large Taxpayers in Filing Payments Timely demonstrate the effectiveness and efficiency with which TTB operates its revenue collection function. These measures also serve as key indicators for Treasury's goals and objectives to fairly and effectively reform and modernize tax systems and the administration of the tax code. Achieving results for both measures will be supported by the strategic application of technology to streamline internal and external processes and an effective tax enforcement presence that leverages intelligence data from a variety of Government and commercial sources as well as interagency partnerships with counterpart enforcement agencies.

Improve Efficiency of Tax Collection

The Amount of Revenue Collected per Program Dollar measure uses annual collections figures and the actual expenditures and obligations for collection activities to quantify the efficiency of the TTB tax collection program. In FY 2015, TTB achieved a return on investment of \$437 for every program dollar spent on collection activities, which exceeded its annual performance target of \$400. Effective enforcement combined with process improvements and streamlining efforts should contribute to continued positive returns on the investment in TTB, contributing to Treasury's goal of a modern and effective tax system.

In setting its FY 2017 performance target, TTB examined historical collections trends across each of its regulated commodities, as well as other predictors that influence consumer behaviors. Specifically, significant shifts in consumption patterns, product manufacturing, and trade will continue to impact Federal revenues in the years ahead. As illustrated by the below table, the 2009 changes to the Federal tax rates have resulted in increased tobacco tax collections by TTB, although the amount of the increase has generally decreased since FY 2010, the first full fiscal year following the tax rate increases. In accounting for these types of marketplace shifts, TTB established a targeted performance level of 400:1 for fiscal years 2016 – 2017.

Excise Tax and Other Collections by Fiscal Year

Dollars in Thousands

Fiscal Year	Alcohol	Tobacco	FAET	SOT	FST	Other	Total
2006	7,182,940	7,350,058	249,578	2,895	638	146	14,786,255
2007	7,232,138	7,194,081	287,835	2,808	-	32	14,716,894
2008	7,420,576	6,851,705	312,622	448	-	634	14,585,985
2009	7,424,292	11,548,504	452,693	272	1,192,375	970	20,619,106
2010	7,476,789	15,913,479	360,813	300	8,558	180	23,760,119
2011	7,594,330	15,515,073	344,262	268	5,220	2,257	23,461,410
2012	7,856,391	15,002,616	514,622	249	5,942	61	23,379,881
2013	7,851,953	14,321,017	762,836	280	1,521	38	22,937,645
2014	7,924,951	13,552,711	768,927	332	465	2	22,247,388
2015	7,997,467	13,620,497	638,518	288	2,444	7	22,259,221
Average	\$ 7,596,183	\$ 12,086,974	\$ 469,271	\$ 814	\$ 121,716	\$ 433	\$ 20,275,390

FAET - Firearms and Ammunition Excise Tax; SOT - Special Occupational Tax; FST - Floor Stock Tax

In FY 2017, to meet its performance target of \$400, TTB will continue to improve efficiencies and results in its tax enforcement program by improving its systems and processes related to tax verification. On the front end, TTB will continue to evaluate and develop options to increase automation in the detection, notification, assessment, and collection of excise taxes to preserve staff time for substantive tax analysis. In FY 2017, TTB also intends to continue its review of all operational reports and tax returns required of the businesses it regulates as part of its ongoing effort to streamline its information collections. This initiative has the dual purpose of ensuring that TTB has the information required for effective tax and regulatory enforcement and eliminating unnecessary reporting burdens for U.S. companies.

On the back end, TTB will continue to develop and build risk models based on multiple data sources to identify high-risk activity or taxpayers for audit and investigation. Continuous refinements to these models and sound intelligence enable TTB to efficiently deploy its limited enforcement resources. A primary focus for TTB tax enforcement continues to be exported alcohol and tobacco products. Exports pose a significant revenue threat because alcohol and

tobacco products intended for export may be placed in a customs bonded warehouse, foreign trade zone, or tobacco export warehouse without payment of tax if they are destined for export and not for sale in the U.S. market. Some tax evasion schemes involve diversion of these products into domestic commerce to evade Federal excise taxes. According to TTB data, non-taxpaid removals of alcohol and tobacco products from bonded premises for export present an annual excise tax exposure of about \$380 million and \$1 billion, respectively. In FY 2015, in partnership with CBP and Immigration and Customs Enforcement, TTB expanded its intelligence and investigative techniques to make significant inroads into identifying tax evasion schemes that involve the diversion of non-taxpaid products intended for export. TTB's enforcement efforts related to tobacco export warehouses, which operate under permits issued by TTB, have identified \$41 million in additional tax liabilities as well as criminal referrals.

This measure would be positively influenced if the proposed program integrity cap adjustment requested in FY 2017 is approved. As TTB's intelligence capabilities and risk modeling have become more sophisticated, the bureau needs additional enforcement resources to act on the leads that these tools generate. The requested cap adjustment would enable TTB to continue its current enforcement activities, while expanding enforcement initiatives to include other points in the supply chain that are at risk for diversion activity. TTB anticipates a positive long-term return on investment at the FY 2017 request level; however, the anticipated increases in additional tax collections from the planned expanded enforcement initiatives will not occur until year three, after new personnel reach full performance levels.

Increase Voluntary Compliance from Taxpayers

Fostering voluntary compliance among taxpayers is a primary tax administration strategy for TTB and supports the Treasury objective to improve the execution of the tax code. The Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely is a key performance metric that shows the rate of compliance by large taxpayers (i.e., those that pay more than \$50,000 in annual taxes) in voluntarily filing their tax payments on or before the scheduled due date. In FY 2015, TTB achieved a compliance rate of 88 percent from its large taxpayers, which fell below the performance target of 92 percent. The declining compliance rate in recent years is due to improvements in TTB's tax reconciliation and enforcement functions related to identifying late, missing, and erroneous tax returns and payments. These efforts often result in the late filing of tax returns that otherwise would have remained unfiled. The additional late-filed returns have the effect of reducing the reported voluntary compliance rate. TTB anticipates that taxpayers targeted by enforcement efforts will begin filing timely returns in future years, and that, over time, reported voluntary compliance rates will increase.

By FY 2017, TTB expects to meet its established performance target of a 94 percent voluntary compliance rate for its large taxpayers through complementary strategies that focus on enhancing electronic filing options to enable taxpayers to file complete, accurate, and timely tax returns and payments; improving online guidance, particularly for the large number of newly permitted industry members; and maintaining an enforcement presence to encourage voluntary compliance. Moving forward on all three fronts will ensure that TTB strikes the appropriate balance between supporting new businesses in establishing compliant operations while ensuring adequate coverage of the high-risk activity that undermines lawful business activity.

Beginning now and continuing in FY 2017, TTB will also intensify its efforts to increase the electronic filing rate of its taxpayers. TTB taxpayers may electronically file required tax returns, reports, and payments through the Pay.gov system, with 26 percent of excise tax returns and 43 percent of operational reports submitted electronically through Pay.gov in FY 2015. TTB intends to address a potential hindrance to using Pay.gov by allowing industry members to make tax payments with credit/debit cards. This enhancement would address a timing issue that requires those who file electronically to remit tax payments early. TTB is partnering with the Bureau of the Fiscal Service in this effort, which will require both system changes and rulemaking to implement.

The FY 2017 request will also support online enhancements to improve guidance, transparency, and collaboration between TTB and industry. Given the increase in new industry members, TTB completed an online “Business Central” resource to ensure that these taxpayers understand and are able to adhere to complex Federal tax and regulatory requirements. Continued expansion and improvement of this guidance will help to ensure that new businesses start and maintain compliant operations, supporting TTB’s achievement of its performance target.

As an identifiable enforcement presence is a well-established driver of compliance rates, TTB also expects to achieve higher rates of voluntary compliance at the FY 2017 request level through the continuation and expansion of TTB’s criminal enforcement program. The FY 2017 request includes a \$5 million transfer from the IRS program integrity cap adjustment to expand TTB tax enforcement and compliance initiatives through additional auditors, investigators, special agents, and data scientists, which together comprise a complete tax enforcement program.

3.1.1 – Collect the Revenue Budget and Performance Plan

Resource Level	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources	\$53,000	\$50,399	\$50,939	\$48,927	\$51,721	\$52,721	\$52,785	\$53,560
Reimbursable Resources	\$2,117	\$1,979	\$2,464	\$3,277	\$3,506	\$3,651	\$3,636	\$3,594
Appropriations Transferred from IRS Program Integrity Cap Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000
Transfer from TEOAF-Super Surplus Fund	\$0	\$0	\$0	\$0	\$468	\$0	\$0	\$0
Budget Activity Total	\$55,117	\$52,378	\$53,403	\$52,204	\$55,695	\$56,372	\$56,421	\$62,154

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Amount of Revenue Collected Per Program Dollar	478.0	468.0	449.0	457.0	457.0	437.0	400.0	400.0	400.0
Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely and Accurately (In Terms of Revenue)	94.0	95.0	92.0	92.0	90.0	88.0	92.0	92.0	94.0

3B – Protect the Public

(\$52,879,000 from direct appropriations, and \$3,318,000 from reimbursable resources):

This budget activity funds the programs that ensure the integrity of the products and industry members in the marketplace; promote compliance with Federal laws and regulations by the approximately 76,000 businesses that TTB regulates; facilitate fair and lawful domestic and international trade in the alcohol and tobacco commodities; and provide full and accurate alcohol beverage product information to the public as a means to prevent consumer deception. These activities support Treasury’s goal of domestic economic growth and stability and the objective to facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public.

Other Resources (Offsetting Collections/Reimbursables)..... \$3,318,000

Other resources that support this budget activity include reimbursement for the operating costs of the TTB Puerto Rico field office, which are offset against the roughly \$350 million in taxes collected on the alcohol beverage products that are manufactured in Puerto Rico and imported into the United States (cover-over payments); reimbursement by the Community Development Financial Institutions Fund (CDFI) for TTB’s IT services; and a nominal reimbursement from the Bureau of Alcohol, Tobacco, Firearms, and Explosives for laboratory services.

Description of Performance – Protect the Public:

In FY 2015, TTB met two of its five annual targets for the performance measures under the Protect the Public budget activity. TTB reports on its success in meeting the Department’s objective to facilitate lawful commerce and TTB’s goal to ensure consumer protection through five principal performance measures, revised in FY 2015 to increase their utility as management tools and reflect a renewed focus on customer experience in receiving required services from TTB. The new measures will help TTB to monitor the degree to which it is meeting the service standards it establishes for permit, label, and formula applications, the impact that electronic filing initiatives are having on improved service delivery, and the level of satisfaction that prospective industry members have with TTB’s permitting process. TTB’s strategies to achieve its performance targets for these measures include a combination of streamlining internal procedures, implementing enhancements to online filing systems, and publishing clear guidance to industry members.

Improve Efficiency and Effectiveness of Permitting Process

TTB protects consumers by screening permit applicants to ensure only qualified persons engage in the alcohol, tobacco, firearms, and ammunition industries. For this purpose, in FY 2015, TTB processed approximately 7,300 original and 19,500 amended permits, performing investigations into high-risk applicants to meet TTB’s business integrity objective. TTB monitors its timeliness in processing permit applications through its measure of the Percentage of Permit Applications Processed within Service Standards. This measure indicates how many customers are receiving service levels that fall within the communicated standards, rather than reporting an average processing time that may not represent the typical customer experience. As businesses rely on accurate information related to TTB service delivery in their operational planning, this measure provides important data related to a key outcome for TTB and its stakeholders. For this measure, TTB establishes an annual service standard based on anticipated workload volume and resources. In FY 2015, TTB met its 75-day service standard for 47 percent of original permit applications.

The increased volume in the most complex application types, in addition to backlogs at the approval stage due to resource constraints, caused processing times to increase. TTB intends to make substantial progress toward its FY 2017 performance target of 85 percent for timely processed permit applications through a combination of industry outreach to promote electronic filing, streamlining its internal procedures, and ongoing system enhancements.

According to its measure of the Percent of Electronically Filed Permit Applications, which tracks the e-filing rate for new business applications, TTB has made substantial progress in a short time, with 84 percent of permit applications received via Permits Online. To meet its FY 2017 target of 89 percent, TTB will continue to promote use of Permits Online by all permit applicants, including through online guidance and training. Even as e-filing rates increase, however, TTB has not achieved a commensurate reduction in processing times for permits due, in part, to the high volume of applications. In recent years, the number of new permit applications has increased in line with rapid industry growth, making it difficult to maintain service levels. Between 2011 and 2015, the number of original permit applications received has increased 25 percent, primarily due to growth in the small alcohol beverage producer and alcohol wholesaler segments.

To realize improvements to service delivery, TTB is engaged in a priority project to facilitate electronic filing for all industry members. In FY 2015, as part of this multi-year endeavor, TTB focused on both system improvements to Permits Online as well as the internal processes in its business qualification program. Combined, these efforts should reduce processing times while continuing to ensure that TTB issues permits to only qualified applicants. In FY 2015, TTB began to update the system's business rules and customer support features to help prospective industry members submit complete and accurate information on their original permit application; these updates will continue through FY 2017. Based on a recent analysis, TTB has found that as few as 23 percent of applicants filing for a permit correctly complete the application without TTB assistance. By receiving correct and complete applications on the first filing attempt, TTB can reduce the time required to return applications for correction and review corrected submissions, thus reducing the time from application submission to permit issuance.

Further, system enhancements that began in FY 2015 will improve the ease of amendment filing for existing Permits Online users and enable approximately 60,000 TTB permittees who originally filed a paper permit application to file amendments to their permit through Permits Online. As TTB receives approximately 20,000 permit amendments annually, this project will result in efficiencies for both TTB and the businesses it serves through increasing the rate of electronic filing by industry and improving processing times.

In addition to the workflow improvements associated with the above system changes, TTB will continue to update its procedures used to screen permit applicants, adding new financial data sources to its risk models and improving the risk criteria used to vet applicants for suitability to hold a Federal permit in the alcohol and tobacco industries. Increased focus on risk modeling and statistical sampling will help to ensure that TTB is permitting only qualified applicants, while also managing workloads and improving service delivery. With these changes, TTB anticipates achieving sustained reductions to its permit application turnaround time and more consistent service by the fourth quarter of FY 2017.

Increase Customer Satisfaction with TTB Service Delivery

TTB also measures its performance in its permitting function by surveying the businesses that apply for a TTB permit. TTB monitors the Customer Satisfaction Rate with TTB's Permitting Process by using an e-mail survey to assess how satisfied businesses are when applying for a permit through Permits Online. Satisfaction rates in FY 2015 were slightly below the annual target of 80 percent, with 76 percent of applicants filing for an original permit satisfied with the application process, including the level of service received and timeliness of TTB's response. The system enhancements rolled out in FY 2015 should result in improved satisfaction rates. In addition to enhanced help features, these upgrades also addressed bottlenecks in the permit approval process, which should decrease processing times and increase satisfaction rates. In FY 2017, to achieve its performance target of 80 percent, TTB will continue to implement system enhancements and process improvements to improve the customer experience with the system and improve the online guidance available to permit applicants. TTB will also seek to improve the level of service provided to customers seeking live assistance with the permit application process via TTB's call center.

Improve Efficiency and Effectiveness of Alcohol Beverage Label Processing

TTB protects U.S. consumers by ensuring that the alcohol beverage products sold at retail outlets are properly labeled and comply with Federal production standards. In FY 2015, TTB received nearly 154,000 label applications and more than 14,000 formula applications. The rapid expansion of the alcohol beverage industry combined with market trends toward formulated products have contributed to the high volume of label and formula applications. Recent policy changes intended to reduce applications without compromising TTB's consumer protection role successfully reduced the volume of original label and formula submissions in the short-term; however, industry trends have resulted in increased submissions that have offset these reductions. Low compliance rates for original submissions are also essentially doubling TTB's processing workload, as applications returned to industry for correction require additional review.

These workload challenges have prevented TTB from making sustained progress in improving service delivery in this area. Lengthy processing times continue to disrupt the business operations of U.S. beer, wine, and spirits producers and importers, posing a potential barrier to commerce. Given the importance of timely TTB approvals and the negative impact that delays have on U.S. businesses, TTB is monitoring its ability to provide timely and consistent service through its measure of the Percentage of Alcohol Beverage Label and Formula Applications Processed within Service Standards. TTB combines label and formula applications in this measure given the interdependent nature of these approvals. In FY 2015, approximately 75 percent of label and formula applications met the service standards of 30 days for a label approval and 45 days for a formula approval. The result was that new businesses waited three months on average from the time they filed for a formula approval to being able to bottle and distribute a new product. This timeline increases to over 100 days for products that also require laboratory analysis prior to approval. In FY 2015, TTB made progress in meeting its service standard for label approvals, with 80 percent of label approvals meeting the 30-day service standard; however, performance in timely processing formula approvals remains a challenge, with TTB meeting the 45-day service standard just 15 percent of the time.

At the enacted FY 2016 and proposed FY 2017 funding levels, TTB will invest in staffing and technology enhancements to achieve dramatic improvement in service standards for label and formula review times. Through this combination, TTB expects to reduce total review times from over 100 days to 30 days or less (including those submissions that require lab analyses) for 85 percent of applications. At this funding level, TTB will increase its staff of label specialists, formula specialists, and chemists, all of whom directly impact service times through their review of applications and product samples. TTB is also implementing system improvements to both COLAs (Certificate of Label Approval) Online and Formulas Online to address the high volume of label and formula submissions, including increased system-based compliance checks to reduce reprocessing work related to errors on initial applications. Certain planned enhancements to TTB's application systems would be deferred at the FY 2017 funding level. Once new hires reach full productivity and system updates currently in development take effect in the fourth quarter of FY 2017, TTB expects to achieve its performance target of processing label and formula applications within 30 days for 85 percent of applications.

To meet the performance target, TTB will also continue to focus on revising and updating its policies and improving industry guidance to facilitate the compliance of initial applications and reduce overall submission volume. TTB intends to proceed with its labeling modernization project, which will update and streamline the labeling regulations to reflect current TTB policy and modern industry practices. TTB will also pursue revisions to the formula requirements for spirits and wine products to achieve reductions similar to those already realized for malt beverage formulas, which may require rulemaking to fully implement.

Further, TTB will continue to employ its strategy to increase electronic filing to manage workloads and reduce processing times. These efforts include improving online guidance as well as enhancing the help features in TTB's online systems. In FY 2015, TTB achieved a combined electronic filing rate of 94 percent, as tracked by its measure of Percent of Electronically Filed Label and Formula Applications. The planned guidance and system improvement efforts will help TTB achieve its electronic filing target of 95 percent in fiscal years 2016 and 2017.

3.1.2 – Protect the Public Budget and Performance Plan

Dollars in Thousands

Protect the Public Budget Activity

Resource Level	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources	\$50,000	\$50,399	\$48,939	\$45,727	\$47,279	\$47,279	\$53,654	\$52,879
Reimbursable Resources	\$2,117	\$1,979	\$2,464	\$2,670	\$3,236	\$3,371	\$3,356	\$3,318
Transfer from TEOAF-Super Surplus Fund	\$0	\$0	\$0	\$0	\$432	\$0	\$0	\$0
Budget Activity Total	\$52,117	\$52,378	\$51,403	\$48,397	\$50,947	\$50,650	\$57,010	\$56,197

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Percent of Electronically Filed Permit Applications	N/A	N/A	62.0	70.0	79.0	84.0	82.0	87.0	89.0
Percent of Permit Applications Processed within Service Standards	N/A	N/A	61.0	50.0	58.0	47.0	85.0	85.0	85.0
Customer Satisfaction Rate with TTB Permitting Process	N/A	N/A	N/A	N/A	B	76.0	80.0	80.0	80.0
Percent of Electronically Filed Label and Formula Applications	N/A	84.0	88.0	90.0	93.0	94.0	94.0	95.0	95.0
Percentage of Alcohol Beverage Label and Formula Applications Processed within Service Standards	N/A	N/A	83.0	49.0	67.0	75.0	85.0	85.0	85.0

Key: DISC - Discontinued and B – Baseline

Section 4 – Supplemental Information

4A – Summary of Capital Investments

Information Technology

TTB's Strategic Plan establishes the vision and objectives for the bureau in the business context. TTB's Information Technology (IT) Strategic Plan is a five-year plan based on its business strategy, which includes the bureau's mission, vision, goals, and objectives from the IT perspective. This plan charts the course the bureau will follow in the coming years to develop and implement IT solutions that are aimed at streamlining the collection of data, leveraging web technologies, and making the Internet the method of choice for the reporting and exchanging of information. By aligning business and technical strategy, TTB is able to leverage technology to enable the bureau to meet its objectives in the most efficient and cost-effective manner while identifying ways to minimize system redundancy.

TTB has no major IT investments based on the OMB and the Department of Treasury criteria. Several non-major investments, however, directly support the mission, strategy, and day-to-day operations of the bureau. These include:

TTB Tax System: This investment consists of several component applications that ensure fair and proper collection of revenue from the industry members for alcohol, tobacco, firearms, and ammunition excise taxes and to ensure compliance with the excise tax regulations.

TTB Regulatory System: This investment includes applications that streamline the beverage and nonbeverage alcohol formula approval process and COLA issuance for tax and regulatory compliance.

TTB General Support Services: This investment provides TTB users with the infrastructure applications necessary to conduct daily business.

TTB Enterprise Architecture: This investment supports strategic management of IT operations (e.g., business process redesign efforts not part of an individual investment, enterprise architecture development, capital planning and investment control processes, procurement management, and IT policy development and implementation) and costs for Chief Information Officer functions.

In addition to leveraging IT to support the mission, strategy, and day-to-day operations of the bureau, TTB supports and maintains strategy alignment with OMB and Treasury through enterprise-wide IT initiatives. These include: Cyber Security; IT Infrastructure; Electronic Identity and Access Management (HSPD-12); Enterprise-wide Contracts and Services; and Program Metrics and Milestones.

Scientific Equipment for Laboratories

This investment will enable chemists to provide accurate and reproducible scientific data and laboratory results to support regulatory compliance, tax enforcement, tax classification, rulemaking, and investigations for both the alcohol and tobacco commodities. Laboratory

instruments require periodic replacement, as they have finite lifecycles due to use and as scientific advances continue to evolve. Technologies applied at these laboratories eventually become obsolete and the instruments are not serviceable as vendors stop carrying parts and software. Periodic replacement of the existing technologies is essential for TTB laboratories to remain state-of-the-art and effective to support the bureau's mission, strategy, and day-to-day operations.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at <http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

Bureau of the Fiscal Service

FY 2017

Congressional Justification

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

Promote the financial integrity and operational efficiency of the Federal Government through exceptional accounting, financing, collections, payments, and shared services.

1.1 – Appropriations Detail Table

Dollars in thousands

Bureau of the Fiscal Service	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
Appropriated Resources	Enacted		Enacted		Request		Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Accounting and Reporting	451	104,725	419	125,752	454	114,167	35	(11,585)	8.35%	-9.21%
Collections	164	35,029	162	38,798	171	40,225	9	1,427	5.56%	3.68%
Payments	494	120,912	485	118,454	516	115,141	31	(3,313)	6.39%	-2.80%
Retail Securities Services	463	76,819	457	70,038	458	71,186	1	1,148	0.22%	1.64%
Wholesale Securities Services	64	10,699	63	10,808	65	12,338	2	1,530	3.17%	14.16%
Subtotal New Appropriated Resources	1,636	\$348,184	1,586	\$363,850	1,664	\$353,057	78	(10,793)	4.92%	-2.97%
Other Resources:										
Reimbursables	714	277,674	701	292,381	488	\$268,486	(213)	(23,895)	-30.39%	-8.17%
Subtotal Other Resources	714	\$277,674	701	\$292,381	488	\$268,486	(213)	(23,895)	-30.39%	-8.17%
Total Budgetary Resources	2,350	\$625,858	2,287	\$656,231	2,152	\$621,543	(135)	(34,688)	-5.90%	-5.29%

Note: Fiscal Service revised the budget activities and reporting to reflect the consolidated bureau activities. Please see Section 4B for additional information.

1B – Vision, Priorities and Context

The Bureau of the Fiscal Service (Fiscal Service) is guided by its vision to transform federal financial management and the delivery of shared services through efforts focused on maximizing efficiencies, transparency, and accountability. These themes are reinforced through bureau level Strategic Goals which promote the following:

- leadership and innovation .
- delivery of exceptional programs and services by an engaged and highly effective workforce .
- data transparency and usefulness .
- expansion of shared services.

Operationally, the Fiscal Service provides central payment services to federal program agencies (FPAs); operates the Federal Government's collections and deposit systems; provides government-wide accounting and reporting services; conducts all Treasury debt financing operations; issues, services, and accounts for all Treasury marketable securities and non-marketable securities; delivers reimbursable support services to federal agencies; and manages the collection of delinquent debt.

FY 2017 Statement of Objectives

The Fiscal Service fulfills its mission and vision through five annually appropriated budget activities and one mandatory budget activity, funded through debt revenue that support and align with Treasury's strategic objectives as follows:

Treasury Strategic Objective 1.1

Promote savings and increased access to credit and affordable housing options
 Retail Securities Services
 Wholesale Securities Services

Treasury Strategic Objective 3.1

Improve the efficiency and transparency of federal financial management and government-wide accounting

Accounting and Reporting

Treasury Strategic Objective 3.2

Improve the disbursement and collection of federal funds and reduce improper payments made by the United States Government

Collections

Debt Collection (non-appropriated)

Payments

Fiscal Service continues to make progress in implementing its priority projects, as well as supporting Treasury in the accomplishment of its strategic objectives. Through the Treasury Strategic Objective Annual Review, the following next steps were identified for Fiscal Service:

- Implement myRA scaled adoption and technology enhancement.
- Redesign the Financial Information Repository to address client needs and implement general capability improvements.
- Implement USAspending.gov improvements.
- Lead the government-wide Digital Accountability and Transparency Act of 2014 (DATA Act) implementation strategy in partnership with the Office of Management and Budget (OMB).
- Incorporate authorized data sources into the Do Not Pay Business Center.
- Perform 24-month student loan pilot with the Department of Education.
- Enhance program effectiveness by working to align new and existing performance measures to the Fiscal Service Strategic Plan.

Bureau-wide Efforts

Government-wide Shared Services

- Continue to support the Shared Services Cross-Agency goal to advance the adoption of shared services by coordinating input from the financial marketplace, managing financial business processes and expanding lessons learned into other lines of business.
- Support the newly established Unified Shared Services Management office in the General Services Administration to improve delivery of services, stabilize shared ecosystems and identify additional opportunities for agency collaboration.

Accounting and Reporting

Fiscal Service accomplished the following through September 30, 2015:

- Refreshed the USAspending.gov website in March 2015 and continued making additional changes throughout FY 2015 in response to new and outstanding feedback regarding usability and presentation.
- Released the initial data standards, guidance (including a baseline data exchange schema), and other resources to federal agencies in May 2015, in collaboration with OMB to support the implementation of the DATA Act; initiated the first phase of the DATA Act Implementation Pilot, which leverages industry data exchange standards to map federal financial data to a standard taxonomy and format.

- Accounted for and reported on all financial activity related to the \$18.2 trillion public debt.
- Issued and serviced nearly \$5.0 trillion in Treasury securities invested by 78 federal agencies in over 244 Federal Government trust and investment accounts, including \$3.2 trillion in 22 Treasury managed trust funds.
- Managed a daily cash flow of \$88.3 billion.
- Enhanced the Financial Information Repository (FIR) to support further efforts to provide the public with visibility into the financial health of the Federal Government.
- Implemented planned FIR releases to address user enhancements and incorporated the Monthly Statement of the Public Debt visualization proof of concept.
- The Central Accounting and Reporting System (CARS) was implemented as the central accounting system of record for the Federal Government, replacing the legacy STAR system that had been in use for 25 years.

FY 2016

- Continue implementation of the DATA Act to include necessary government-wide financial system enhancements and providing assistance to agencies. This includes developing the technical platform/architecture to collect data across disparate systems in the Federal Government.
- Begin operationalizing data exchange standards for federal transparency reporting. In collaboration with OMB, develop a corresponding framework and governance structure required to manage the standards.
- Continue multi-year effort towards obtaining a clean audit of the Financial Report by FY 2018 by obtaining assurance on the reliability of all significant General Fund activity and balances.
- Strengthen effective government-wide accounting by providing Central Accounting and Reporting System (CARS) operational and technical support during the transition of federal program agencies to CARS.

FY 2017

- Complete the implementation of the DATA Act and continue to meet Treasury's responsibility to publish additional spending data on USAspending.gov (or a successor site). This includes operationalizing data exchange standards for federal transparency reporting and the corresponding governance required to manage the standard. Develop a publication platform that provides consistent, reliable, and searchable government-wide spending data.
- Continue to support the Agency Priority Goal to develop and improve financial transparency policies and their adoption that reflect a 21st century economy and data-driven decision-making.
- Continue progress towards obtaining a clean audit of the Financial Report by FY 2018 by obtaining assurance on the reliability of all significant General Fund activity and balances.
- Modify payment, collection, and accounting systems to enable Treasury to monitor and manage its cash position in near real time.

Collections

Fiscal Service accomplished the following through September 30, 2015:

- Collected nearly \$3.1 trillion in federal revenue.

- Processed over 119 million transactions worth over \$106 billion through Pay.gov, an internet-based non-tax collection system.
- Processed nearly \$3.0 trillion (approximately 98% of total revenue collected) through Electronic Funds Transfer.

Fiscal Service plans to focus on the following highlighted Collections efforts:

FY 2016

- Continue to advance E-Commerce in support of Treasury's initiative to have non-tax collections and remittances submitted electronically to reduce costs, improve accuracy, and increase options available to citizens to conduct transactions with the Government.
- Complete business requirements for the new Electronic Federal Tax Payment System (EFTPS) to facilitate innovation and incorporate sound security features.
- Facilitate cost savings and the reduction of paper in Lockbox programs through the Financial Agent Selection Process (FASP), E-Commerce, and program advancements.

FY 2017

- Advance E-Commerce further by implementing a variety of mobile apps and increasing agency implementation of digital wallet providers and online bill payment.

Payments

As of September 30, 2015 Fiscal Service achieved the following successes:

- Disbursed over \$2.6 trillion in federal payments including Social Security, veterans' benefits, and income tax refunds.
- Disbursed 94.8% of the nearly 1.2 billion payments electronically – 98% of the 931 million benefit payments were disbursed electronically.
- The DNP Business Center (DNP) implemented a major system release providing real-time matching at the time of payment, resulting in more timely agency and program access to potential improper payments that may need further investigation.
- DNP worked one on one with agencies to review payment data to identify and address internal control weaknesses that resulted in improper payments in addition to the business process review services offered.

FY 2016

- Improve federal fiscal management by expanding federal agency use of the Do Not Pay Business Center to reduce improper payments.
- Further expand federal agency use of the Invoice Processing Platform (IPP).
- Promote Treasury disbursing services to federal agencies that currently make their own payments.
- Enhance federal reporting and query capabilities by enabling agencies to submit claims electronically through improvements in the Post Payment System (PPS).
- Continue planned enhancements to the Stored Value Card (SVC) program to include consolidating processing platforms and developing components for a SVC one-card solution.

FY 2017

- Improve analytics capabilities through the use of new algorithms and predictive modeling; acquire income, expanded death, and credit data; and implement authorities to work with Federal legislative and judicial programs and federally funded state-administered programs.
- Expand the number of agencies and their vendors using IPP to submit electronic invoices.
- Implement Treasury disbursing services with additional federal agencies.
- Continue to enhance SVC products for efficiency and expand capabilities.

Retail Securities Services

Fiscal Service accomplished the following during FY 2015:

- Issued and serviced \$26.9 billion in savings and marketable issues held by 583,227 investors in the online TreasuryDirect system through September 30th.
- Implemented a *myRA* landing site in November 2014 and worked on a variety of enhancements, such as including the ability to create a *myRA* account when filing tax returns.
- Implemented virtual case files to improve customer service by automating workflows and a virtual contact center as part of the multi-year Treasury Retail E-Services initiative.

FY 2016

- Enhance investment opportunities for American citizens through focused efforts on increasing participation in *myRA*.
- Complete a review of the Retail Securities Services program to refocus program direction and solidify the mission and long-term vision, identify the future customer base, design a new savings product(s), clarify the most effective channels for interacting with customers and servicing new products, and create an operating model and implementation roadmap.
- Develop core components and infrastructure for a new retail securities system that will enhance capabilities for customers to purchase, reinvest, redeem, transfer, and hold securities electronically, including developing a web interface.

FY 2017

- Continue to increase participation in *myRA*.
- Begin implementation of the Retail Securities Services program vision.
- Continue developing a new retail securities system that will enhance capabilities for customers to purchase, reinvest, redeem, transfer, and hold securities electronically, including deploying the core framework.

Wholesale Securities Services

During FY 2015, Fiscal Service:

- Conducted 269 auctions and awarded \$6.9 trillion in Treasury marketable securities through September 30th.
- Continued stabilizing, modernizing, and migrating the Treasury Automated Auction Processing System (TAAPS) to a new technical platform, as well as planning to modernize the software components of TAAPS.

FY 2016

- Continue the multi-year effort to stabilize, modernize, and migrate TAAPS to a new technical platform, while modernizing software components.

FY 2017

- Complete the stabilization, modernization, and migration of TAAPS to a new technical platform and continue to modernize the software components.

Debt Collection

Fiscal Service accomplished the following through September 30, 2015:

- Collected nearly \$7.3 billion in delinquent debt (\$1.9 million in delinquent child support).
- Collected \$547.8 million in State Unemployment Insurance Compensation debt on behalf of 42 states and the District of Columbia.
- Started a Cross-Servicing debt collection pilot with the Department of Education upon receipt of 7,000 Direct and Federal Family Education Loan delinquent debts, with an additional 5,000 debts that followed, in order to determine the tools that can be employed to facilitate repayment or resolution of defaulted student loans.

FY 2016

- Expand the use of state-of-the-art mechanisms to include developing Cross-Servicing Next Generation to bring the Cross-Servicing system into the 21st Century.
- Continue the Education Student Loan Pilot.

FY 2017

- Continue to expand the use of state-of-the-art mechanisms and strategies for maximizing the collection of delinquent debt.
- Finalize the results of the Department of Education Student Loan Pilot and make a recommendation for future servicing of Education debts to ultimately achieve greater efficiency with government resources.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Bureau of the Fiscal Service	FTE	Amount
FY 2016 Enacted	1,586	\$363,850
Changes to Base		
Base Realignment	108	\$0
Technical FTE Adjustment	108	\$0
Maintaining Current Levels (MCLs)		\$6,032
Pay-Raise		\$2,295
Pay Annualization		\$620
Non-Pay		\$3,117
Efficiency Savings	(30)	(\$1,935)
Program Efficiencies	(30)	(\$1,935)
Total FY 2017 Base	1,664	\$367,947
Program Changes		
Program Decreases		(\$14,890)
DATA Act Implementation		(\$10,780)
Rent Savings		(\$4,110)
Total FY 2017 Request	1,664	\$353,057

2A – Budget Increases and Decreases Description

Base Realignment+\$0 / +108 FTE

Technical FTE Adjustment +\$0 / +108 FTE

Maintaining Current Levels (MCLs)+\$6,032,000 / +0 FTE

Pay-Raise +\$2,295,000 / +0 FTE

Funds are requested for the proposed January 2017 pay-raise.

Pay Annualization +\$620,000 / +0 FTE

Funds are requested for annualization of the January 2016 pay-raise.

Non-Pay +\$3,117,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

Efficiency Savings-\$1,935,000 / +78 FTE

Program Efficiencies -\$1,935,000 / -30 FTE

Anticipated savings realized from reduced programmatic and FTE requirements to align with estimated operating levels.

Program Decreases-\$14,890,000 / +0 FTE

DATA Act Implementation -\$10,780,000 / +0 FTE

With the implementation of the DATA Act anticipated to be well underway, it is expected that Fiscal Service will be able to decrease the funding needed to complete the balance of the government-wide legislative requirements.

Rent Savings -\$4,110,000 / +0 FTE

With the final closeout of the Emeryville, California lease, Fiscal Service is realizing the last portion of the Payment Center Closure savings.

2.2 – Operating Levels Table

Dollars in thousands

		FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Object Classification				
11.1	Full-time permanent	136,298	141,854	135,185
11.3	Other than full-time permanent	394	2,034	1,932
11.5	Other personnel compensation	2,651	6,148	5,840
11.8	Special personal services payments	141	0	23,879
11.9	Personnel Compensation (Total)	139,484	150,036	166,836
12.0	Personnel benefits	44,696	40,429	44,331
13.0	Benefits to former personnel	132	206	150
Total Personnel and Compensation Benefits		184,312	190,671	211,317
21.0	Travel and transportation of persons	1,852	1,732	2,875
22.0	Transportation of things	121	241	121
23.1	Rental payments to GSA	26,189	25,214	21,767
23.2	Rental payments to others	866	519	435
23.3	Communication, utilities, and misc charges	7,676	9,580	7,346
24.0	Printing and reproduction	146	399	411
25.1	Advisory and assistance services	15,579	19,302	25,638
25.2	Other services from non-Federal Sources	18,384	17,517	16,013
25.3	Other goods and services from Federal Sources	83,708	88,936	58,993
25.4	Operation and maintenance of facilities	2,125	1,041	950
25.6	Medical care	0	2	0
25.7	Operation and maintenance of equipment	2,772	2,100	1,880
26.0	Supplies and materials	2,471	2,763	2,287
31.0	Equipment	1,456	2,769	2,394
32.0	Land and structures	81	1,014	630
42.0	Insurance claims and indemnities	0	50	0
Total Non-Personnel		163,426	173,179	141,740
Subtotal New Appropriated Resources		\$347,738	\$363,850	\$353,057
Budget Activities:				
	Accounting and Reporting	114,856	141,873	127,511
	Collections	38,880	43,884	45,094
	Debt Collection	174,634	168,172	151,934
	Payments	202,722	212,578	204,000
	Retail Securities Services	82,717	77,729	79,266
	Wholesale Securities Services	11,603	11,995	13,738
Total Budgetary Resources		\$625,412	\$656,231	\$621,543
FTE		1,996	2,287	2,152

Note: Fiscal Service revised the budget activities and reporting to reflect the consolidated bureau activities. Please see Section 4B for additional information.

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY THE BUREAU OF THE FISCAL SERVICE Federal Funds SALARIES AND EXPENSES</p> <p>For necessary expenses of operations of the Bureau of the Fiscal Service, [\$363,850,000] \$353,057,000; of which not to exceed \$4,210,000, to remain available until September 30, [2018] 2019, is for information systems modernization initiatives; and of which \$5,000 shall be available for official reception and representation expenses[; and of which not to exceed \$19,800,000, to remain available until September 30, 2018, is to support the Department's activities related to implementation of the Digital Accountability and Transparency Act (DATA Act; Public Law 113–101), including changes in business processes, workforce, or information technology to support high quality, transparent Federal spending information]. In addition, \$165,000, to be derived from the Oil Spill Liability Trust Fund to reimburse administrative and personnel expenses for financial management of the Fund, as authorized by section 1012 of Public Law 101–380.</p> <p><i>(Consolidated Appropriations Act, 2016.)</i></p>	<p>Multi-year funding is not necessary for DATA Act starting in FY 2017.</p>

2C – Permanent, Indefinite Appropriations

Federal Reserve Bank Permanent, Indefinite Appropriation

The Federal Reserve Banks (FRBs) act as fiscal agents of the United States when directed by the Secretary of the Treasury in accordance with 12 U.S.C. 391. Under this account, the FRBs support fiscal operations, which are unrelated to the administration of the public debt, and provide banking and financial services on behalf of the Treasury of the United States. Specifically, this account supports the accounting and reporting, collections, and payments programs. These and other programs are vital to the Fiscal Service's strategic goals, the National Financial Critical Infrastructure, and the expanding E-Government. Fiscal Service estimates that the cost of FRB services for FY 2017 will be approximately \$529.4 million.

Reimbursements to the Federal Reserve Banks

Public Law 101-509, 104 Stat. 1389, 1394 (1990), established a permanent, indefinite appropriation to pay such sums as necessary to reimburse the FRBs for acting as fiscal agents. This account was further defined in FY 1992 to solely support those activities related to the administration of the public debt. Claims for reimbursements are closely monitored for compliance with the Instructions for Filing Reimbursement Claims for Fiscal Agent Services Provided to the Fiscal Service. Funding for FY 2017 is estimated at \$138.3 million. Specifically, this account supports the Retail Securities Services and Wholesale Securities Services budget activities only.

Financial Agent Services Permanent, Indefinite Appropriation

Congress has given the Secretary of the Treasury broad discretion to deposit money in financial institutions and obtain banking services by designating financial institutions to act/serve as Financial Agents (FA) of the United States. The services support many Fiscal Service programs, such as collections, payments, securities and accounting and reporting. These and other programs are vital to the Fiscal Service's strategic goals, the National Financial Critical Infrastructure, and the expanding E-Government. The services provided by the FAs are authorized under numerous statutes including, but not limited to, 12 U.S.C. 90 and 265.

In FY 2004, Treasury received a permanent, indefinite appropriation to pay for these services. Fiscal Service estimates that the cost of FA services for FY 2017 will be approximately \$679.5 million, which includes \$3 million for Government Sponsored Enterprise - Mortgage Backed Securities administrative costs.

Government Losses in Shipment

Public Law 103-329 established a permanent, indefinite appropriation to pay such sums as necessary to make payments for the replacement of valuables, or the value thereof, lost, destroyed, or damaged in the course of United States Government shipments. The Government Losses in Shipment Act was enacted July 8, 1937 to dispense with the necessity for insurance by the government against loss or damage to valuables in shipment and for other purposes. The Act was amended in 1943 to cover losses resulting from the redemption of savings bonds (for example, stolen bonds, which were fraudulently negotiated even though the paying agent followed identification guidelines established by the Treasury). All authority of the Treasury under the Act has been delegated to the Commissioner of the Fiscal Service. In FY 2017, the funding estimated to support payments for the replacement of valuables is \$1.1 million.

2.3– Permanent, Indefinite Appropriations Table

(Dollars in Thousands)

Permanent, Indefinite Appropriation	2015 Actuals	2016 Enacted	2017 Requested
Federal Reserve Bank ¹	\$ 477,091	\$ 524,155	\$ 529,397
Reimbursements to the Federal Reserve Banks	\$ 123,658	\$ 136,945	\$ 138,314
Financial Agent Services ^{1, 2}	\$ 642,572	\$ 716,230	\$ 679,465
Government Losses in Shipment	\$ 1,221	\$ 1,098	\$ 1,123

¹: Approximately \$75M is reimbursed from other government agencies and deposited into the General Fund each year.

²: FY 2015, FY 2016, and FY 2017 include costs for the Government Sponsored Enterprise - Mortgage Backed Securities administrative costs of \$3M per year.

2D – Legislative Proposals

New for FY 2017 President's Budget

1. Option to access the National Directory of New Hire Data via the Do Not Pay Portal

The 2017 Budget includes a package of proposals to allow additional programs and agencies authority to access the National Directory of New Hire Data (NDNH), a federal database of employment and unemployment insurance information administered by the Office of Child Support Enforcement within the Department of Health and Human Services (HHS). Access to this data is tightly controlled by statute, and HHS implements strong privacy, confidentiality, and security protections to protect the data from unauthorized use or disclosure. Currently several programs are successfully using this data for program integrity, implementation, and research purposes, and the use of that data has led to important insights and program integrity gains. The Budget proposes to build on this strong history of data stewardship and protection to allow additional programs and agencies to access this valuable data to learn what works and improve program implementation, while continuing to protect the privacy, security and confidentiality of that data.

Included in this package is a request to allow programs that are statutorily authorized in the Social Security Act to access NDNH data for program integrity purposes to do so via the Do Not Pay (DNP) initiative's designated centralized portal at the Department of the Treasury. The Improper Payments Elimination and Recovery Improvement Act codified the Administration's Do Not Pay initiative by specifying six Federal data sets to help prevent and identify improper payments. OMB designated Treasury to host a centralized portal, the DNP Business Center, for agencies to access, as authorized, multiple sources of data to aid in program integrity related efforts. This proposal includes the following sub-components:

- The Administration for Children and Families' Office of Child Support Enforcement (OCSE) would retain control over the NDNH data through an MOU with Treasury and each individual agency that clearly defines how Treasury (and each agency) may use the data, and further provides rules for protecting and correcting the data and for its retention and destruction;
- OCSE would still apply its robust privacy and security review procedures before granting any agency access to data;
- DNP would only access and disclose the minimum relevant NDNH data to agency programs that are authorized to access the data in statute and who have an MOU with OCSE to access the data;
- Agencies would maintain the option to access NDNH via DNP or directly through OCSE;
- OCSE would be reimbursed by Treasury and/or the accessing agency for the costs incurred by providing the NDNH data to the agency, regardless of the mechanism used; and
- Since the NDNH data are not verified, agencies accessing NDNH data via Treasury's DNP portal will ensure that the data are not used as the basis for any adverse determination, including denial of benefits or overpayment determinations in federally-assisted programs, and will be required to conduct independent verification of information prior to taking any adverse action against any individual without further investigation.

The proposal also includes penalties for unauthorized access, use, disclosure, or re-disclosure of personally identifiable information; clear specification of each authorized purpose; a requirement that the minimum data necessary be accessed; and satisfies the Administration's criteria for when authority to access NDNH data should be considered.

The package also requires HHS to review each agency's security position before it allows that agency to access the data, prohibits HHS from granting access to the data for any purpose not authorized in statute, and requires HHS to generate a public reporting on the use of NDNH data. Please see Budget Chapter, *A Government of the Future*, and HHS's Administration for Children and Families Congressional Justification for additional information on the full package of NDNH access proposals and the criteria for considering access to NDNH data.

Re-proposed from FY 2016 President's Budget

1. Increase delinquent state income tax debt collections by allowing offset of federal income tax refunds to collect delinquent state income taxes for out-of-state residents.

Estimated collections: \$2.3 billion in state taxes over 10 years (no federal revenue)

Under current law, the Bureau of the Fiscal Service may offset federal tax refunds to collect delinquent state income tax obligations but only if the delinquent taxpayer resides in the state collecting the tax. This proposal would amend the Internal Revenue Code (IRC) section 6402(e) to allow the Fiscal Service to offset federal income tax refunds to collect delinquent state tax obligations regardless of where the debtor resides.

2. Reduce costs for states collecting delinquent income tax obligations by allowing states to send notices of intent to offset federal tax refunds to collect state income tax obligations by regular first-class mail, rather than by certified mail. *Estimated savings:*

\$202.4 million over 10 years (no federal revenue)

Under current law, the U.S. Department of the Treasury, Bureau of the Fiscal Service, may offset federal tax refunds to collect delinquent state income tax obligations only after the state sends the delinquent debtor a notice by certified mail. The statutory notice requirements for federal tax refund offset for all other types of debts, including federal non-tax, child support, and state unemployment insurance compensation debts, are silent as to the notice delivery method. Federal tax refund offset regulations for all debts other than state income tax obligations require federal and state creditor agencies to send notices by regular first class mail. Similarly, notice requirements for other debt collection actions, including administrative wage garnishment, do not require delivery by certified mail. This proposal would amend IRC section 6402(e) to allow the Fiscal Service to amend its regulations to permit states to send notices for state income tax obligations by first class mail, saving states certified mail costs and standardizing notice procedures across debt types.

3. Increase delinquent federal non-tax debt collections by authorizing administrative bank garnishment for non-tax debts of commercial entities. *Estimated Collections:*

\$320 million in commercial debts over 10 years

This proposal would allow federal agencies to collect non-tax debt by garnishing the bank and other financial institution accounts of delinquent commercial debtors without a court order and after providing full administrative due process. The Budget proposes to direct the Secretary of the Treasury to issue government-wide regulations implementing the authority of bank garnishment for non-tax debts of commercial entities. Bank garnishment rules under this authority would be subject to Treasury's rule (31 CFR 212) protecting exempt benefit payments from garnishment. To reach income of commercial entities and other non-wage income and funds available to commercial debtors owing delinquent non-tax obligations to the United States, this proposal would authorize agencies to issue garnishment orders to financial institutions without a court order. Agencies would be required to provide debtors with appropriate due process and other protections to ensure that debtors have had the opportunity to verify and contest the debts and/or enter into repayment agreements to avoid issuance of an order. The Internal Revenue Service currently has similar authority to collect federal tax debts. The Debt Collection Improvement Act of 1996 authorized federal agencies to collect delinquent non-tax debt by garnishing the wages of debtors without the need to first obtain a court order. This proposal would reach assets of entities whose income is not derived from wages. Since July 2001, the Bureau of the Fiscal Service has collected \$279.3 million in garnished wages (as of November 30, 2015) on behalf of federal agencies.

- 4. Increase and streamline recovery of unclaimed assets owed to the United States by authorizing Treasury to locate and recover assets of the United States and to retain a portion of amounts collected to pay for the costs of recovery.** *Estimated recoveries: \$85 million over 10 years*

States and other entities hold assets in the name of the United States or in the name of departments, agencies and other subdivisions of the Federal Government. Many agencies are not recovering these assets due to a lack of expertise and/or funding. Under current authority, Treasury collects delinquent debts owed to the United States and retains a portion of collections, which is the sole source of funding for Treasury's debt collection operations. While unclaimed federal assets are generally not considered to be delinquent debts, Treasury's debt collection operations personnel have the skills and training to recover these assets. The Budget proposes to amend 31 U.S.C. 3718 to authorize Treasury to use its resources to recover assets of the United States.

Section 3 – Budget and Performance Plan

3A – Accounting and Reporting

(\$114,167,000 from direct appropriations, and \$13,344,000 from reimbursable resources):

The Accounting and Reporting activity consists of three programs: Government Agency Investment Services, Government-wide Accounting and Reporting, and Summary Debt Accounting. In prior budget submissions, these three programs were separate budget activities. Fiscal Service has combined the three programs into one budget activity due to their commonalities. Additionally, all three support Treasury Strategic Goal Three to “Fairly and effectively reform and modernize the federal financial management, accounting and tax systems.”

The Government Agency Investment Services (GAIS) program issues, services, and redeems Government Account Series (GAS) securities for federal agencies that have legislative authority to invest; administers State and Local Government Series (SLGS) securities and offers a flexible investment alternative for state and local governments to refinance their outstanding tax-exempt debt; and represents Treasury’s role in the federal loan program including accounting for and reporting on loans made to other federal agencies with legislative authority to borrow.

The Government-wide Accounting (GWA) program produces timely and accurate financial information that contributes to the improved quality of financial decisions made by operating and overseeing the government’s Central Accounting and Reporting System. The GWA program also works with FPAs to adopt uniform accounting and reporting standards and systems. It provides support, guidance, and training to assist FPAs in improving their government-wide accounting and reporting responsibilities. Fiscal Service collects, analyzes, and publishes government-wide financial information that is used by the Federal Government to establish fiscal and debt management policies and by the public and private sectors to monitor the government’s financial status. Publications include the Daily Treasury Statement, the Monthly Treasury Statement, the Treasury Bulletin, the Combined Statement of the United States Government, and the Financial Report of the United States Government (FR).

Fiscal Service is taking significant steps to address the material weaknesses found in the compilation process of the FR that include:

- Requesting federal entities to provide root cause analysis and corrective action plans for any recurring intragovernmental differences;
- Expanding feedback by providing scorecards to additional federal entities to ensure coverage over the material intragovernmental differences;
- Collecting data from all identified reporting entities and/or demonstrating their data is immaterial;
- Ensuring engagement with federal entities and that adequate support is gathered for all journal vouchers;
- Ensuring appropriate information regarding litigation is included in the Financial Report;
- Implementing a process to work in a more collaborative manner with key federal entity personnel in the preparation of complex areas in the Financial Report;

- Providing reasonable assurance that new or substantially revised federal accounting standards are consistently implemented among federal entities;
- Determining the significance of data contained in the Financial Report that does not have audit assurance;
- Performing an analysis of the variances for all financial statement lines and disclosures;
- Identifying and reporting all items needed to prepare the Budget Statements.

The Summary Debt Accounting (SDA) program reports daily on the balances and composition of the public debt, publishes the Monthly Statement of the Public Debt, and issues the annual, audited Schedules of Federal Debt (Schedules). The Schedules report on the single largest liability in Treasury's Agency Financial Report and received an unmodified opinion for the past 18 years.

Description of Performance:

The GAIS program strives to provide high-quality customer service, reliable transaction processing, and accurate and timely payment distribution. To aid in measuring performance, the organization conducted an annual customer survey with the intent to increase the percentage of customers rating GAIS as "Excellent." Fiscal Service's FY 2016 target is 59 percent; however this measure will be discontinued in FY 2017 as Fiscal Service integrated all individual program customer service surveys into a single annual survey. A new efficiency measure to ensure timely and accurate reporting of investment and borrowing activity will be used to measure the success of the GAIS program. The FY 2017 reporting target for the new measure is 98 percent.

In FY 2015, Fiscal Service established a target of 100 percent for the *Percentage of Government-wide Accounting Reports, which include the Daily Treasury Statement (DTS), Monthly Treasury Statement (MTS), and consolidated Financial Report, issued on time* measure. The timeliness standard of each report is as follows:

- DTS target to be published by 4:00 pm (Eastern Time) each business day
- MTS target to be published by the eighth business day each month
- Consolidated Financial Report must be published annually

Fiscal Service continues to achieve its targets by maintaining the established process of validating and reconciling data with reporting sources such as FPAs and various electronic deposit and payment applications. The bureau will continue modernization efforts to ensure the timeliness of these reports and anticipates it will achieve the 100 percent target for FY 2016 and FY 2017.

To transform SDA, the program created a long-term goal of restructuring or eliminating a percentage of unnecessary and/or duplicative business processes each fiscal year. SDA has now restructured or, where appropriate, eliminated the majority of its business processes; therefore this measure is no longer beneficial. Beginning in FY 2017, SDA will replace this measure with *Percentage of Summary Debt Accounting reports submitted timely*, with a target of 100 percent.

SDA relies on cost per transaction to help manage the efficiency of the program. SDA transactions consist of activity related to the reporting of balances and the composition of the public debt with the average transaction totaling over a billion dollars. The actual FY 2015 cost

is \$19.26, which is above the target of \$17.53 due to changes in the Fiscal Service cost accounting methodology. As a result, the target cost per item for FY 2016 and FY 2017 is currently \$19.26; however this will be revised in the future.

3.1.1 –Accounting and Reporting Budget and Performance Plan

Dollars in Thousands

Accounting and Reporting Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Request
Appropriated Resources	\$100,105	\$94,044	\$88,629	\$86,628	\$102,661	\$104,600	\$125,752	\$114,167
Reimbursable Resources	\$4,967	\$7,197	\$7,416	\$6,517	\$6,699	\$10,256	\$16,121	\$13,344
Budget Activity Total	\$105,072	\$101,241	\$96,045	\$93,145	\$109,360	\$114,856	\$141,873	\$127,511

Note: Fiscal Service revised the budget activities and reporting to reflect the consolidated bureau activities. Please see Section 4B for additional information.

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Cost Per Government Agency Investment Services Transaction (\$)	82.08	84.67	33.48	35.2	35.99	56.38	38.09	56.38	56.38
Collect and disburse interest/principal payment amounts for Government Agency Investment Services investments/borrowings timely and accurately	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	98.0
Percent of Respondents Selecting the Highest Rating of Customer Satisfaction with Government Agency Investment Services (%)	55	60	60	61	57	52	58	59	DISC
Percentage of Government-Wide Accounting Reports Issued Timely (Includes Daily Treasury Statement - Table 1 and Monthly Treasury Statement - Table 1)	100.0	100.0	99.86	100.0	100.0	99.5	100.0	100.0	100.0
Cost Per Summary Debt Accounting Transaction (\$)	11.28	14.8	22.47	19.86	16.36	19.26	17.53	19.26	19.26
Percentage of Summary Debt Accounting reports submitted timely and accurately	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100
Percent of Summary Debt Accounting Business Processes Restructured or Eliminated	6	9.5	6	21.4	21.4	15	15	20	DISC

Key: DISC - Discontinued

3B – Collections

(\$40,225,000 from direct appropriations, and \$4,869,000 from reimbursable resources):

The Collections program supports Treasury Strategic Goal Three to “Fairly and effectively reform and modernize the federal financial management, accounting and tax systems” which includes the objective “to improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. Government.” The Fiscal Service manages the collection of federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines, and proceeds from leases. In addition, the Fiscal Service establishes and implements collection policies, regulations, standards, and procedures for the Federal Government. These efforts also support the following Fiscal Service strategic goals:

- Serve as a catalyst for effective government through initiative and innovation
- Deliver exceptional programs and services
- Promote data transparency and usefulness as a public good

The Fiscal Service continues to promote the use of electronic systems in the collections process and to assist agencies in converting collections from paper to electronic media with programs such as:

Electronic Federal Tax Payment System (EFTPS): The Fiscal Service communicates the benefits of EFTPS – accuracy, security, simplicity, and flexibility – to financial institutions, small businesses, and tax practitioners. The goal is to continue to require businesses to pay their federal taxes electronically and focus efforts on increasing the number of individuals that pay taxes electronically.

Pay.gov: Pay.gov is a system allowing individuals and businesses to make non-tax payments to federal agencies over the internet. Recent developments have focused on a mobile-friendly user interface, incorporation of digital wallet providers PayPal and Dwolla, and enhanced functionality in the areas of electronic billing and electronic forms.

Check Conversion and Truncation: The Fiscal Service is employing strategies to reduce the number of paper checks it receives and to ensure that those it does receive are converted for electronic processing. The Over the Counter Channel Application (OTCnet) and Electronic Check Processing (ECP) are programs that provide a complete electronic record of all check images and related financial data that is accessible by agencies and eliminate the need to photocopy checks, safeguard checks, or process paper.

Description of Performance:

The measure, *Percentage Collected Electronically of Total Dollar Amount of Federal Government Receipts*, reflects the dollar value of collections received (settled) electronically and supports Treasury Strategic Goal Three to “Fairly and effectively reform and modernize the federal financial management, accounting and tax systems.” As it is quicker and more cost-efficient to process electronic transactions, this measure gauges the efficiency of collecting funds for the Federal Government. In FY 2016 and FY 2017, Fiscal Service will continue its agency outreach and offer new products such as mobile applications and online bill presentment while expanding the use of digital wallets. Fiscal Service expects to maintain an annual electronic collections rate of at least 98 percent through FY 2017.

3.1.2 –Collections Budget and Performance Plan

Dollars in Thousands

Collections Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Request	Request
Appropriated Resources	\$21,911	\$22,624	\$21,166	\$20,851	\$30,469	\$34,982	\$38,798	\$40,225
Reimbursable Resources	\$258	\$1,419	\$1,419	\$176	\$0	\$3,898	\$5,086	\$4,869
Budget Activity Total	\$22,169	\$24,043	\$22,585	\$21,027	\$30,469	\$38,880	\$43,884	\$45,094

Note: Fiscal Service revised the budget activities and reporting to reflect the consolidated bureau activities. Please see Section 4B for additional information.

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percentage Collected Electronically of Total Dollar Amount of Federal Government Receipts	85	96	97	97	98	98	98	98	98

Key: DISC - Discontinued

3C – Debt Collection

(\$0 from direct appropriations, and \$151,934,000 from reimbursable resources):

The Debt Collection program supports Treasury Strategic Goal Three to “Fairly and effectively reform and modernize the federal financial management, accounting and tax systems” which includes the objective “to improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. Government.” Fiscal Service collects delinquent government, state, and child support debt by providing centralized debt collection, oversight, and operational services to federal program agencies and states pursuant to the Debt Collection Improvement Act of 1996 (DCIA) and related legislation. Fiscal Service uses two debt collection programs: Treasury Offset Program (TOP) and Cross-Servicing.

Fiscal Service implemented the new offset system, referred to as TOP Next Generation, on November 8, 2014. The new TOP system provides the ability to handle increasingly larger volumes of debt and payment types, process new payment types, increase payment processing throughput to meet future needs, and meet essential stakeholder needs. In addition, Fiscal Service continues to expand the offset program by including additional debts owed to states as well as payments made by states. In an effort to increase efficiency, the Debt Collection program conducted random controlled trials to determine cost effective improvements to correspondence; optimized the call center; expanded the use of highly productive debt collection approaches, such as wage garnishment; and continued to transition to a data-driven, analytical approach.

Additionally, Fiscal Service acquired a new Cross-Servicing collection system (Cross-Servicing Next Generation [CSNG]), a commercial off the shelf product, which will enable optimized, cost-effective collection, and resolution approaches. CSNG will permit greater automation, improved results and increased employee engagement. The implementation of this product and all its business upgrades will take place during the second quarter of FY 2017.

Also, in close partnership with the Department of Education, the Cross-Servicing program is conducting a 24-month pilot program to service a total of 12,000 student loan debts. This began in February 2015 and will end in January 2017. Furthermore, Fiscal Service has begun to help agencies implement Section 5 of the DATA Act, which amends the DCIA to require agencies to refer to TOP eligible debt at 120 days delinquent, rather than 180 days delinquent, and requires Treasury to report non-compliance to Congress. Fiscal Service is working with OMB and agencies on the new requirements and tools developed for tracking compliance, as required.

Description of Performance:

The Fiscal Service's goals for FY 2016 and FY 2017 are to collect \$7.36 billion and \$7.56 billion, respectively, in delinquent debt by expanding the use of the administrative wage garnishment collection tool, enhancing the use of analytics, and proposing legislative changes such as authorizing Treasury to offset federal income tax refunds to collect delinquent state tax obligations regardless of where the debtor resides.

3.1.3 – Debt Collection Budget and Performance Plan

Dollars in Thousands

Debt Collection Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Request
Reimbursable Resources	\$110,567	\$130,474	\$133,257	\$153,667	\$139,377	\$174,634	\$168,172	\$151,934
Budget Activity Total	\$110,567	\$130,474	\$133,257	\$153,667	\$139,377	\$174,634	\$168,172	\$151,934

Note: Fiscal Service revised the budget activities and reporting to reflect the consolidated bureau activities. Please see Section 4B for additional information.

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Amount of Delinquent Debt Collected Through All Available Tools (\$ billions)	5.45	6.17	6.17	7.02	6.91	7.28	7.12	7.36	7.56

Key: DISC - Discontinued

3D – Payments

(\$115,141,000 from direct appropriations, and \$88,859,000 from reimbursable resources):

The Payments budget activity supports Treasury's Strategic Goal Three to "Fairly and effectively reform and modernize the federal financial management, accounting and tax systems" which includes the strategic objective "to improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. Government." Major payments include: Social Security Benefits, Supplemental Security Income, Federal Pension Benefits, Veterans' Compensation and Pension, Railroad Retirement Pensions, and tax refunds.

Through the Payments budget activity, Fiscal Service is also responsible for controlling and providing financial integrity to the payment process through reconciliation, accounting, and claims activities. The claims activity settles claims against the United States resulting from Federal Government checks that have been forged, lost, stolen, or destroyed, as well as claims and reclamations of Electronic Funds Transfer (EFT) payments. Fiscal Service also collects

monies from those parties liable for fraudulent or otherwise improper negotiation of government checks.

In addition, Fiscal Service actively encourages recipients to convert to electronic payment methods through a nationwide public education campaign, called Go Direct® as well as offering the unbanked and those beneficiaries who prefer a prepaid debit card the Direct Express® card, which enables benefit payments to be automatically deposited into the recipient's card account on the payment date. As a result, 98 percent of benefit payments were disbursed electronically in FY 2015. Electronic payments provide timely, accurate, and efficient disbursement of Federal Government payments; eliminate the costs associated with postage and the re-issuance of lost or stolen checks; and help protect against fraud and identity theft.

The Fiscal Service has also undertaken considerable efforts to modernize its payment systems, incorporating new technologies and the internet. Some programs that will continue to be in focus are:

Stored Value Card (SVC): SVCs streamline financial requirements during initial entry into training of military personnel, remove physical cash from government locations overseas as well as from ships at sea, and provide a safe and secure means for government personnel stationed overseas to access and safeguard their personal funds in locations with limited or no connectivity. SVCs effectively reduce the high costs of securing, transporting, and accounting for physical currency. The program also provides a safe and convenient payment method for government, military, and support personnel. Currently, SVCs replace cash, checks, and coins at over 60 military bases and installations in 14 countries (including the U.S.) and on 130 Naval ships. Meeting this global demand necessitates the deployment of over 8,700 pieces of equipment including kiosks (cashless ATMs), point-of-sale terminals, laptops, and other related hardware. From 1997 through June 2015, over 55.7 million EFT transactions with a dollar value in excess of \$7.7 billion were processed via the SVC programs.

Invoice Processing Platform (IPP): IPP is a government-wide, secure, web-based electronic invoice exchange network connecting federal agencies and their vendors. IPP promotes the efficient use of resources by enabling federal agencies to receive invoices electronically from their vendors, transforming existing paper-based invoice processes into a streamlined electronic process that integrates with existing agency core financial systems. IPP's single point of entry allows vendors to invoice multiple IPP enrolled agencies via either online or batch invoice submission. Vendors can view and receive notification of payments (including debt offsets) associated to their invoices via IPP. In addition, IPP supports the Financial Innovation and Transformation initiative to develop a standard for electronic invoicing government-wide.

Payment Application Modernization (PAM): The PAM investment supports a critical Fiscal Service function, which is the production and delivery of over one billion federal payments on behalf of more than 200 agencies with a single application. PAM replaced 30 existing legacy Fiscal Service payment applications that generated check, Automated Clearing House (ACH), International ACH Transaction (IAT), and wire transfer payments. PAM is modernizing the distribution of domestic payments and automatically

interfaces with core Treasury systems such as the Do Not Pay Business Center (DNP) and the Treasury Offset Program (TOP) in order to prevent improper payments and collect delinquent debt owed to the Federal Government. PAM also allows FPAs to comply with the Government-wide Accounting mandate to submit valid component Treasury Account Symbol/Business Event Type Code (TAS/BETC) information on all payments at the time of payment origination.

Post Payment System (PPS) Consolidation: In support of Treasury's Strategic Goal to "fairly and effectively reform and modernize federal financial management, accounting, and tax systems," Fiscal Service has invested in the consolidation of several post payment systems into a single, centralized system. This investment will unify disparate business processes, eliminate data redundancy across systems, and provide a customer portal to be leveraged by federal program agencies and financial institutions for post-payment processing and reporting. By consolidating all post payment processing into one comprehensive application, Fiscal Service will be able to decommission these five legacy systems: Treasury Check Information System (TCIS); Payments, Claims and Enhanced Reconciliation (PACER); Treasury Receivable, Accounting and Collection System (TRACS); Teletrace; and TOP Control System (TCS). This will result in PPS, as the System of Record, being the authoritative data source for all payment and post payment data.

PPS will include functionality to support: payment matching and verification, returns and cancellations, inquiries, calls and claims, funds receipt/funds management, reclamations, reconciliation, fraud detection, integrity analysis, reporting and integrated customer engagement. PPS will provide Fiscal Service and post-payment stakeholders with enhanced, reconciliation activities, improved information exchange, reduced reliance on paper, and more robust fraud detection. In addition, it will utilize standardized Common Government-wide Accounting Classification (CGAC) reporting structure and leverage commercial off-the-shelf software solutions, when appropriate, to provide common, best practice functionality and proven implementation methodologies.

The Fiscal Service's DNP provides a single, centralized point of access to timely, accurate, and actionable data for informed decision making and can help identify, prevent, detect, and recover improper payments throughout the payment life cycle while protecting individuals' privacy. In FY 2015, DNP completed a major system release that provided real-time matching at the time of payment, replacing post-payment matching, resulting in providing agencies and programs with more timely access to potential improper payments that may need further investigation. It also provided more actionable results due to the replacement of a public data source with a restricted data source, thereby vastly reducing the number of false positive matches, and by providing additional filter functionalities that account for agency business rules thus further highlighting potential improper payments. In addition, DNP has applied advanced analytics to produce a standard Agency Insight Report to provide a high-level overview of key findings and insights derived from the agency's payment data. This report captures four key areas: 1) payment data quality assessment; 2) anomaly detection; 3) pattern and trend analysis; and 4) advanced matching techniques. This report also identifies opportunities for DNP to assist agencies in reducing or eliminating payment errors, waste, and abuse within its payment process.

In FY 2016, DNP will deploy a robust state-of-the-art analytics tool to support advanced analytics methodologies to include not only descriptive and diagnostic analytics, but predictive and prescriptive analytics as well. DNP will continue offering Business Process Mapping services in order to improve customer agencies' internal controls and to increase efficiency in identifying improper payments. Finally, DNP will continue focusing its engagement efforts on targeted high-risk improper payment issues within specific agencies.

In FY 2017, DNP will continue pursuing valuable data sources to provide timely, accurate, and actionable results by enhancing the DNP portal through user-defined feedback. In addition, DNP analytics will mature to include the creation and execution of predictive models, which will provide customer agencies with additional tools to identify potential improper payments before payment in addition to identification at the time of payment or post-payment.

Description of Performance:

The measure *Percentage of Treasury Payments and Associated Information Made Electronically* supports Treasury Strategic Goal Three to “Fairly and effectively reform and modernize the federal financial management, accounting and tax systems.” Due to the continued success of the Go Direct® and Direct Express® programs and implementation of the All Electronic Treasury priority, Fiscal Service issued 98 percent of its benefit payments and 94.8 percent of its total payments via EFT in FY 2015. Fiscal Service expects to achieve its targets in the outyears by expanding electronic conversion efforts to additional benefit agencies and payment types, such as other vendor miscellaneous payments and federal tax refunds.

3.1.4 – Payments Budget and Performance Plan

Dollars in Thousands

Payments Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Request
Appropriated Resources	\$150,395	\$141,358	\$142,265	\$130,570	\$114,650	\$120,769	\$118,454	\$115,141
Reimbursable Resources	\$129,262	\$142,340	\$131,165	\$102,401	\$78,625	\$81,953	\$94,124	\$88,859
Budget Activity Total	\$279,657	\$283,698	\$273,430	\$232,971	\$193,275	\$202,722	\$212,578	\$204,000

Note: Fiscal Service revised the budget activities and reporting to reflect the consolidated bureau activities. Please see Section 4B for additional information.

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percentage of Treasury Payments and Associated Information Made Electronically	82.0	84.3	88.0	92.5	94.4	94.7	95.00	95.0	95.0

Key: DISC - Discontinued

3E – Retail Securities Services

(\$71,186,000 from direct appropriations, and \$8,080,000 from reimbursable resources):

Fiscal Service's Retail Securities Services (RSS) program offers simple, safe, and affordable Treasury investment choices that enable Americans to invest and save for their future. The RSS program continues to examine the saving and investing needs of customers by researching new Treasury retail securities and services that will promote savings and appeal to the American

public. In December 2014, *myRA*, a new retirement savings account that follows Roth Individual Retirement Account rules was launched in support of the President's initiative to help millions of Americans start saving for retirement.

The RSS program encourages people to buy securities, access their accounts, and conduct transactions electronically. The program plans to implement a new securities investment management system that will enhance capabilities for customers to purchase, reinvest, redeem, transfer, and hold securities electronically. Investors will be able to learn about retail products and services, make informed decisions about buying Treasury securities, and manage their Treasury investments more efficiently. Over the next year, RSS will develop the web interface, as well as design and build the core infrastructure. In FY 2017, the program will deploy the core framework and select product content for the early releases of the new system.

The program has recently implemented two phases of the Treasury Retail E-Services (TRES) initiative. The virtual case file environment includes automated workflows, digitized customer correspondence, and fewer manual paper processes. A virtual contact center has also been deployed using shared telephony between two physical customer service sites. It improves customer service by providing a single toll free number, enhanced call menu options, and improved call routing. In the next year, the program will continue to improve the customer experience by automating notifications of case status.

In FY 2016, Fiscal Service will complete a review of the RSS program to develop the new mission and long-term vision, identify the future customer base, design a new savings product(s), identify the most effective channels for interacting with customers and servicing new products, and create an operating model and implementation roadmap.

Description of Performance:

The *Cost per TreasuryDirect Online Transaction* and *Cost per TreasuryDirect Assisted Transaction* measures will be discontinued in FY 2017 to allow Fiscal Service to measure performance for securities transactions regardless of the system used and for the incorporation of future offerings. In the interim, the FY 2015 performance and FY 2016 targets are:

- The internet-based TreasuryDirect system promotes savings by allowing investors to set up accounts, purchase electronic securities, and manage their holdings without customer assistance. The *Cost per TreasuryDirect Online Transaction* in FY 2015 was \$1.49, below the target of \$1.89 due to changes in the Fiscal Service cost accounting methodology. As a result, the target cost per item for FY 2016 is currently \$1.49.
- The *Cost per TreasuryDirect Assisted Transaction* demonstrates Fiscal Service's efficiency in responding to customer inquiries when assistance from a customer service representative is necessary. Representatives handle phone and email inquiries, offline authentications, paper savings bond conversions, changes in bank information, and transactions requiring legal evidence. The *Cost per TreasuryDirect Assisted Transaction* in FY 2015 was \$9.55, above the target of \$8.08 due to changes in the Fiscal Service cost accounting methodology. As a result, the target cost per item for FY 2016 is currently \$9.55.

Fiscal Service will add new performance measures in FY 2017 to support Treasury's goal of promoting savings and the bureau's goal to serve as a catalyst for effective government through initiative and innovation. The *Cost per Electronic Transaction* and *Cost per Customer Assisted Transaction* measures will demonstrate investor self-service and customer service efficiency, respectively, for all securities currently offered as well as future offerings. Fiscal Service plans to establish targets for each measure in FY 2016 and to meet those targets by maintaining a skilled customer service workforce and streamlining operations to effectively manage costs.

3.1.5 – Retail Securities Services Budget and Performance Plan

Dollars in Thousands

Retail Securities Services Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Request
Appropriated Resources	\$139,109	\$135,337	\$116,260	\$110,876	\$95,249	\$76,711	\$70,038	\$71,186
Reimbursable Resources	\$15,393	\$15,393	\$17,166	\$16,841	\$17,400	\$6,006	\$7,691	\$8,080
Budget Activity Total	\$154,502	\$150,730	\$133,426	\$127,717	\$112,649	\$82,717	\$77,729	\$79,266

Note: Fiscal Service revised the budget activities and reporting to reflect the consolidated bureau activities. Please see Section 4B for additional information.

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Cost Per Electronic Transaction (\$)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	B
Cost Per Customer Assisted Transaction (\$)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	B
Cost Per TreasuryDirect Assisted Transaction (\$)	8.23	3	4.58	7.3	7.18	9.55	8.08	9.55	DISC
Cost Per TreasuryDirect Online Transaction (\$)	6.12	3.64	2.26	1.72	1.84	1.49	1.89	1.49	DISC
Increase the Number of Customers Who Buy Treasury Retail Securities Electronically	N/A	144,997	301,737	269,180	222,790	193,120	185,000	185,000	DISC
Percentage of Retail Customer Service Transactions Completed within 5 Business Days (%)	92.7	73.1	75.7	74.5	89.7	83.2	88.0	88.0	DISC

Key: DISC - Discontinued

3F – Wholesale Securities Services

(\$12,338,000 from direct appropriations, and \$1,400,000 from reimbursable resources):

The Wholesale Securities Services (WSS) program supports Treasury Strategic Goal One to “Promote domestic economic growth and stability while continuing reforms of the financial system” which includes the objective “to promote savings and increased access to credit and affordable housing options.” WSS is responsible for the announcement, auction, issuance, and settlement of marketable Treasury bills, notes, bonds, Treasury Inflation-Protected Securities and Floating Rate Notes. The program also oversees the portion of the federal infrastructure that

provides for the transfer, custody, and redemption of all Treasury marketable securities that are purchased mostly by commercial market participants.

The auction program supports the financial critical infrastructure and is a mission essential function for Treasury that enables the Federal Government to finance operations. WSS ensures that communications, systems, processes, and contingency plans provide for high-level performance and business continuity for wholesale auction operations.

The auction system, Treasury Automated Auction Processing System (TAAPS), currently resides in an aging technical infrastructure. In an effort to ensure Treasury's mission essential function, the program has started a multi-year effort to stabilize, modernize, and migrate the system to a new technical platform by FY 2017. The program has also begun another multi-year initiative to modernize TAAPS' software components and rewrite the application by FY 2019.

Description of Performance:

Fiscal Service strives to efficiently deliver its debt financing operations, including auctions and buybacks, at the lowest possible cost. The *Cost per Debt Financing Operation* in FY 2015 was \$174,998, above the target of \$165,339, principally as a result of the migration of TAAPS to a new technical infrastructure. Also impacting this measure is the change in the Fiscal Service cost accounting methodology. As a result, the target cost per item for FY 2016 is currently \$174,998. This measure will be discontinued in FY 2017 as Fiscal Service assesses how to better measure operational efficiency of debt operations given that the number of auctions is outside the control of the bureau. Fiscal Service plans to implement a new efficiency measure in FY 2018.

The accurate and timely release of auction results, with an emphasis on accuracy, is critical to the success of the WSS program. An emphasis on accuracy ensures preservation of public confidence in Treasury securities and stability of the financial market. Therefore, in FY 2015, Fiscal Service modified its performance measure from *Percent of Auction Results Released in Two Minutes +/- 30 Seconds* to *Percent of Auction Results Released Accurately*, with a target of 100 percent. Released accurately is defined as auction results released to the public without any subsequent revisions. In the event auction results require adjustment after official release, a press release will be issued explaining any changes. In such a case, the results of that auction will not be counted as released accurately for purposes of this performance measure. Fiscal Service anticipates meeting its target through ongoing business process reviews and regularly scheduled contingency planning and mock auction exercises.

3.1.6 – Wholesale Securities Services Budget and Performance Plan

Dollars in Thousands

Wholesale Securities Services Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Enacted	Request
Appropriated Resources	\$24,438	\$24,058	\$23,120	\$22,092	\$12,840	\$10,676	\$10,808	\$12,338
Reimbursable Resources	\$2,821	\$2,821	\$3,051	\$3,000	\$2,346	\$927	\$1,187	\$1,400
Budget Activity Total	\$27,259	\$26,879	\$26,171	\$25,092	\$15,186	\$11,603	\$11,995	\$13,738

Note: Fiscal Service revised the budget activities and reporting to reflect the consolidated bureau activities. Please see Section 4B for additional information.

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Cost Per Debt Financing Operation (\$)	162,378	157,284	159,449	141,115	137,888	174,998	165,339	165,716	DISC
Percent of Auction Results Released Accurately (%)	100.0	100.0	100.0	99.6	99.3	99.6	100.0	100.0	100.0

Key: DISC - Discontinued

Section 4 – Supplemental Information

4A – Summary of Capital Investments

Fiscal Service leads the way for responsible, effective government through commitment to cutting-edge technologies, service, efficient operations, sharing of best practices, and openness to change in order to meet the operating needs of the Federal Government. Fiscal Service systematically analyzes the demand for its services, considers effective methods for delivery, and identifies the broad asset implications through sound governance and investment management.

Effective Investment Governance

The Fiscal Service Governance and Capital Planning and Investment Control programs ensure the selection/re-selection, comparison, and prioritization of the most effective Information Technology investments to support the mission and long range plans for the Fiscal Service and Treasury. These programs also ensure the IT investment portfolio is well managed, cost effective, and achieving intended results through monthly tracking and reporting of progress. A monthly investment health assessment of cost, schedule, and operational performance is in place in addition to a formal Techstat process that engages appropriate senior level officials for insight and successful remediation of significant issues or risks.

Effective Project Execution

The Fiscal Service has a disciplined and consistent approach to project management (PM) as facilitated through a bureau-wide project management program that manages PM standards, procedures, and training for the bureau. In addition, a standing monthly project management community of practice is in place providing practitioners the opportunity for collaboration and continuous learning of creative problem solving/solution design related to practical lessons learned. Each IT investment has a dedicated program manager and a fully staffed integrated program team. The systems that support each investment are enhanced using iterative development techniques.

Enterprise Architecture Services

Enterprise Architecture (EA) services ensure that Fiscal Service applies a common language and framework to describe and analyze investments. The Fiscal Service EA program is designed to facilitate cross-agency analysis of capabilities, knowledge, processes, and relationships to apply evidence-based techniques, to identify duplicative investments, to discover goals and opportunities for collaboration with other agencies, and to establish a line-of-sight from the highest level strategic goals to the infrastructure that enables the achievement of those goals. The value of EA services is to facilitate planning by documenting where the Fiscal Service is currently and determining what the Fiscal Service should look like in the future so that it can make plans to transition from current state to future state. The planning is enabled by a holistic suite of integrated services that incorporates architecture perspectives from business, data, technical, and security.

Risk Management

The nature of the Fiscal Service's work requires effective risk management and high levels of performance to ensure the bureau maintains operational excellence while seeking innovative solutions to improve efficiencies and transform financial management and the delivery of shared

services in the Federal government. As such, Fiscal Service has established an Enterprise Risk Management (ERM) office to promote a common understanding and approach to risk management. Through the development and issuance of an ERM framework, the bureau will incorporate risk management practices in decision making processes such as strategic and tactical planning, workforce planning, capital investment planning, and budget formulation. Fiscal Service will continue to communicate the importance of effective risk management to all employees.

Cyber Security

The Fiscal Service protects the enterprise architecture and infrastructure to ensure the confidentiality, integrity, and availability of information technology resources. This is accomplished by: monitoring the network for both internal and external information attacks, proactive vulnerability assessment, effective patch management, and expedient incident response. In addition, Enterprise Cybersecurity ensures Fiscal Service information technology resources are in compliance with National Institute of Standards and Technology security standards and fulfills annual security audit requirements.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

4B – Summary of Changes to Appropriated Budget Activities

Fiscal Service completed a comprehensive evaluation of the legacy budget activities and associated methodologies in order to develop a single Fiscal Service approach that will allow for more efficient budgeting and a single cost allocation methodology. As a part of this new approach, Fiscal Service modified the reported appropriated budget activities to better align common functions. For the new reporting structure, the Do Not Pay Business Center has been combined with the Payments budget activity and Government Agency Investment Services, Government-wide Accounting and Reporting, and Summary Debt Accounting have been combined into a single Accounting and Reporting budget activity.

In addition, Fiscal Service has implemented a new cost allocation methodology that complements the budget activity changes and more effectively and efficiently aligns costs to the appropriate activity. Overhead costs are now distributed in a single common and defined manner, eliminating the separate processes for different legacy activities. The resulting changes in reported budget activity costs are reflected in the table below.

\$ in thousands	Previous Budget Activities			New Budget Activities		
	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Accounting and Reporting				104,725	125,752	114,167
Collections	24,293	26,609	25,301	35,029	38,798	40,225
Do Not Pay Business Center	5,064	5,116	5,178	Included in Payments		
Government Agency Investment Services	13,055	13,074	13,277	Included in Accounting & Reporting		
Government-wide Accounting and Reporting	65,486	68,553	65,025	Included in Accounting & Reporting		
Payments	121,715	133,179	126,296	120,912	118,454	115,141
Retail Securities Services	95,237	94,145	94,438	76,819	70,038	71,186
Summary Debt Accounting	4,325	4,243	4,323	Included in Accounting & Reporting		
Wholesale Securities Services	19,009	18,931	19,218	10,699	10,808	12,338
Total	348,184	363,850	353,057	348,184	363,850	353,057

Office of Financial Stability

FY 2017

President's Budget Submission

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

A central part of the response to the 2008 financial crisis was the implementation of the Troubled Asset Relief Program (TARP), which was established in the fall of 2008 under the Emergency Economic Stabilization Act (EESA) within the Office of Domestic Finance at the U.S. Department of the Treasury (Treasury). With the nation in the midst of the worst financial crisis since the Great Depression, TARP was created to “restore the liquidity and stability of the financial system.”

Each year, the Office of Financial Stability (OFS) reports on its Operational Goals, which were developed by management to achieve Treasury’s strategic objective to wind-down emergency financial crisis response programs under our strategic goal of promoting domestic economic growth and stability while continuing reforms of the financial system. OFS has made significant progress towards winding down TARP investment programs and continues to implement housing programs to help struggling families avoid foreclosure, primarily through mortgage modifications. As of November 30, 2015, OFS has recovered nearly 99 percent of the \$430.4 billion in total program funds disbursed under TARP, as well as an additional \$17.55 billion from Treasury’s equity in AIG. When all of Treasury’s AIG investments are included, the amount recovered is greater than the funds disbursed by \$11.6 billion.

1.1 – Program Account Summary

Dollars in Thousands

	FY 2015	FY 2016	FY 2017	FY 2016 to FY 2017	
	Actual	Estimated	Estimated	\$ Change	% Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Obligations					
Equity Program Account	3,339	100,141	0	(100,141)	-100.00%
Housing Account	0	225	0	(225)	-100.00%
TARP Account	0	547,588	0	(547,588)	-100.00%
TARP Administrative Account	168,861	147,797	127,430	(20,367)	-13.78%
TARP Negative Downward Reestimate Receipt Account	(1,525,007)	(855,038)	0	855,038	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	0.00%
Total Obligations	(\$1,352,807)	(\$59,287)	\$127,430	\$186,717	-314.94%
Budget Authority					
Equity Program Account	3,339	100,141	0	(100,141)	-100.00%
Housing Account	0	225	0	(225)	-100.00%
TARP Account	0	547,588	0	(547,588)	-100.00%
TARP Administrative Account	181,640	147,797	127,430	(25,142)	-16.48%
TARP Negative Downward Reestimate Receipt Account	(1,525,007)	(855,038)	0	855,038	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	0.00%
Total Budget Authority	(\$1,340,028)	(\$54,512)	\$127,430	\$181,942	-333.76%
Outlays					
Equity Program Account	3,339	100,141	0	(100,141)	-100.00%
Housing Account	4,251,376	5,345,073	4,078,976	(1,266,097)	-23.69%
TARP Account	0	547,588	0	(547,588)	-100.00%
TARP Administrative Account	152,021	235,237	131,503	(20,507)	-13.49%
TARP Negative Downward Reestimate Receipt Account	(1,525,007)	(855,038)	0	855,038	-100.00%
TARP Negative Subsidy Receipt Account	0	0	0	0	0.00%
Total Outlays	\$2,820,629	\$5,289,774	\$4,210,479	(\$1,079,294)	-20.40%

1.2 – Financing Account Summary

Dollars in Thousands

	FY 2015	FY 2016	FY 2017	Change	% Change
	Actual	Estimated	Estimated	FY 2015 to FY 2016	FY 2015 to FY 2016
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
TARP Direct Loans					
Obligations	288,850	656,332	0	(656,332)	-100.00%
Collections	148,377	547,588	0	(547,588)	-100.00%
Financing Authority (net)	(37,174)	0	0	0	0.00%
Financing Disbursements (net)	140,474	108,745	0	(108,745)	-100.00%
Equity Purchases					
Obligations	1,264,750	229,715	31,170	(198,545)	-86.43%
Collections	1,822,235	197,399	67,424	(129,975)	-65.84%
Financing Authority (net)	(539,526)	3,486	(36,254)	(39,740)	-1,139.99%
Financing Disbursements (net)	(558,074)	32,316	(36,254)	(68,570)	-212.19%
Housing					
Obligations	4,466	4,282	1,965	(2,317)	-54.11%
Collections	2,210	313	59	(254)	-81.15%
Financing Authority (net)	0	0	0	0	0.00%
Financing Disbursements (net)	2,257	3,969	1,906	(2,063)	-51.98%

1.3 – Program Disbursement, Repayments, and Cost/Savings

Dollars in Billions

	Cumulative Obligated	Cumulative Disbursed	Cumulative Outstanding	Total Cumulative Income	Total Cash Back	Total Estimated Lifetime Costs (as of 11/30/15)
Bank Support Programs	250	245	1	36	275	-24
Credit Market Programs	19	19	0	5	24	-3
AIG Investment Program (AIG)	68	68	0	1	55	15 *
Automotive Industry Financing Program	80	80	0	7	71	12
Treasury Housing Programs	38	19				35
Total**	\$455	\$430	\$1	\$49	\$425	\$35
Additional AIG Common Shares Held by Treasury	0	0	0	18	18	-18 *
Total for Programs and Shares**	\$455	\$430	\$1	\$66	\$442	\$17

*If all Treasury AIG Investments are combined, it would result in a net gain of nearly \$2.4 billion on those shares.

**Totals may not foot due to rounding.

1B – Vision, Priorities and Context

TARP was created by EESA in October 2008 as part of a broad-based federal response to the financial crisis. At that time, the U.S. financial system faced challenges on a scale not seen since the Great Depression. By October of 2008, major financial institutions were threatened, and many of them tried to shore up their balance sheets by shedding risky assets and hoarding cash. People were rapidly losing trust and confidence in the stability of America's financial system and the capacity of the government to contain the damage. Without immediate and forceful action by the federal government, the U.S. economy faced the risk of falling into a second Great Depression.

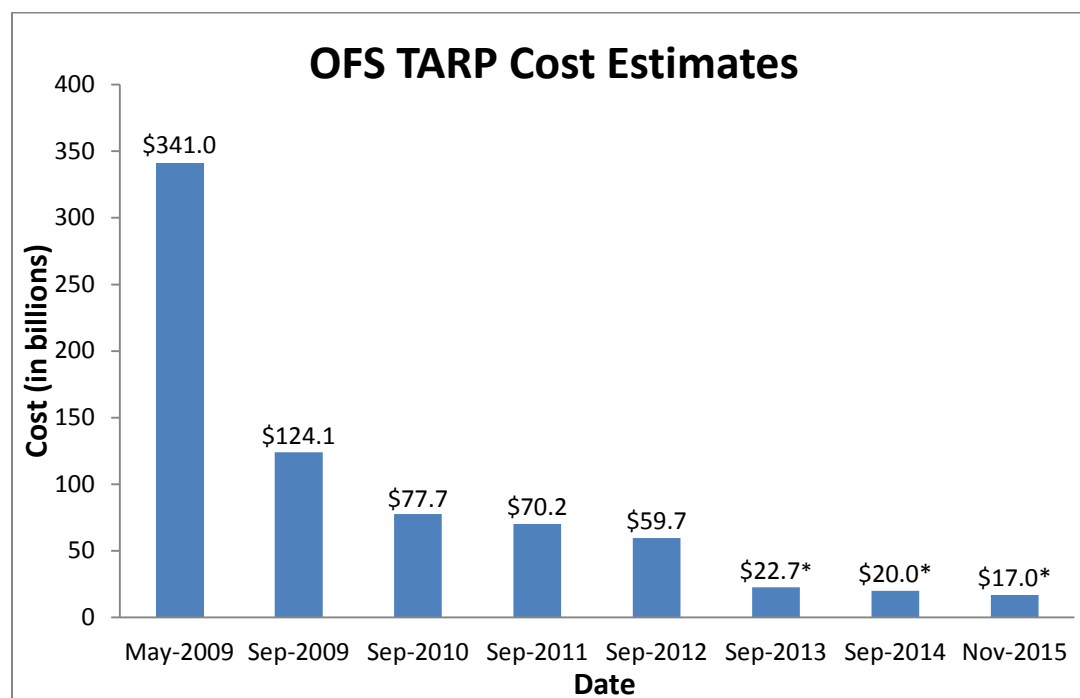
It was out of these extraordinary circumstances in the fall of 2008 that TARP was created as a central part of a series of emergency measures by the federal government. Seven years later, it is generally agreed that as a result of the forceful and coordinated response by the federal government through TARP and many other emergency programs, we helped avert what could have been a devastating collapse of our financial system.

The purposes of EESA were to —

- (1) immediately provide authority and facilities that the Secretary of the Treasury could use to restore liquidity and stability to the financial system of the United States; and
- (2) ensure that such authority and such facilities were used in a manner that —
 - (A) Protects home values, college funds, retirement accounts, and life savings;
 - (B) Preserves homeownership and promotes jobs and economic growth;
 - (C) Maximizes overall returns to the taxpayers of the United States; and,
 - (D) Provides public accountability for the exercise of such authority.

EESA vested authority in the Secretary of the Treasury to “purchase, and to make and fund commitments to purchase, troubled assets from any financial institution, on such terms and conditions as are determined by the Secretary.”

As a result of improved financial conditions and careful stewardship of the program, the ultimate cost to taxpayers of TARP investments is estimated to be significantly lower than initially expected. In Fiscal Year (FY) 2009, the program was projected to cost \$341 billion, but it is now estimated to cost only \$34.5 billion (of which -\$0.2 billion relates to investments and \$34.7 billion relates to housing programs that do not require repayments by recipients) as of November 30, 2015. Lifetime costs are projected at \$17.0 billion with the inclusion of receipts from Treasury’s sale of additional AIG common stock.



*Includes \$17.55 billion in proceeds from additional Treasury AIG shares

During FY 2016 and FY 2017, OFS's priorities will be to continue winding down TARP's bank investment programs subject to market conditions and continue helping struggling homeowners find solutions to avoid foreclosure by implementing TARP's housing program to reach as many homeowners as possible.

OFS Administrative Expenses

The authority for OFS's administrative budget funds is provided in Section 118 of EESA. In FY 2016, OFS plans to obligate \$148 million and use no more than 72 FTEs, a decrease of approximately \$7 million and 3 FTEs from the FY 2016 President's Budget. The decrease in obligations is primarily due to the faster than anticipated wind-down of TARP's investment programs. In FY 2017, OFS plans to obligate \$127 million and use no more than 64 FTEs, a decrease of over \$20 million and 8 FTEs from the current FY 2016 estimates, to fund the management and maintenance of the TARP housing programs and disposition of OFS's remaining investments. The decrease in FTEs and outside contracts reflects the continued wind-down of TARP.

1C - Credit Reform and Administrative Accounts

Section 123 of EESA requires the cost of TARP programs to be calculated using the methods required by the Federal Credit Reform Act of 1990 ("credit reform"). In addition to the Office of Financial Stability Administrative Account, the organization manages six accounts to comply with the credit reform accounting requirements: TARP Equity Purchase Program Account, TARP Equity Purchase Financing Account, TARP Housing Programs Account, TARP Home Affordable Modification Program Financing Account, TARP Program Account, and TARP Direct Loan Financing Account.

Account Descriptions

TARP Equity Purchase Program Account: The TARP Equity Purchase Program Account records the subsidy costs (cost to the government) associated with federal equity injections into qualifying financial institutions. Subsidy costs are calculated on a net present value basis.

TARP Equity Purchase Financing Account (EPFA): The TARP EPFA is a non-budgetary account that records all financial transactions to and from the government resulting from equity purchases. The EPFA primarily tracks each cohort year's purchase activity (dividend payments, the exercise of warrants, Treasury borrowings, interest paid to or received from Treasury, etc.) and is not included in the budget totals when calculating total government spending.

TARP Housing Programs Account: The TARP Housing Programs Account records the subsidy costs and cash outlays associated with Treasury's housing programs under TARP. The Making Home Affordable (MHA) and Hardest Hit Fund housing programs are recorded on a cash basis, and the Federal Housing Administration (FHA)-Refinance Program is subject to the Federal Credit Reform Act of 1990 whereby its subsidy cost is calculated on a net present value basis.

TARP Home Affordable Modification Program Financing Account: The TARP Home Affordable Modification Financing Account is a non-budgetary account that records all financial transactions to and from the government resulting from OFS's FHA-Refinance Program.

Like other financing accounts, its primary purpose is the financial tracking of each cohort year's loan activity and is not included in the budget totals.

TARP Program Account: The TARP Program Account records the subsidy costs associated with direct loans obligated to qualifying institutions. Subsidy costs are calculated on a net present value basis.

TARP Direct Loan Financing Account (DLFA): The TARP DLFA is a non-budgetary account that records all financial transactions to and from the government resulting from direct loans. Like EPFA and GLFA, its primary purpose is the financial tracking of each cohort year's loan activity and is not included in the budget totals.

Office of Financial Stability Administrative (OFS) Account: This account provides for the administrative costs of OFS.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Stability	FTE	Amount
FY 2016 Estimated	75	\$155,066
Changes to Base:		
Adjustments to Estimate:	(3)	(7,269)
FY 2016 Revised Estimate	72	147,797
Maintaining Current Levels (MCLs):	-	2,738
Pay-Raise	-	115
Pay Annualization	-	38
Non-Pay	-	2,584
Subtotal Changes to Base	(3)	(4,531)
Total FY 2017 Base	72	150,535
Program Changes:		
Program Decreases:	(8)	(23,105)
Housing Program Support	-	(14,683)
Maintenance and Disposition of Assets	-	(1,867)
OFS Salaries and Benefits	(8)	(1,267)
Organizational Support	-	(5,288)
Total FY 2017 Estimated	64	127,430

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)+\$2,738,000 / +0 FTE

Pay-Raise +\$115,000 / +0 FTE

Funds are required for the proposed January 2017 pay-raise.

Pay Annualization +\$38,000 / +0 FTE

Funds are required for annualization of the January 2016 pay-raise.

Non-Pay +\$2,584,000 / +0 FTE

Funds are required for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

Program Decreases-\$23,105,000 / -8 FTE

Housing Program Support -\$14,683,000 / +0 FTE

The MHA administrative functions and compliance will continue due to the extension of the program through December 2016, but will decline over time as the application deadline expires and the program winds down.

Maintenance and Disposition of Assets -\$1,867,000 / +0 FTE

During FY 2016, OFS will continue the disposition of its position of the remaining Capital Purchase Program (CPP) banks. In FY 2017, OFS expects its portfolio to be composed of a handful of CPP institutions and the Community Development Capital Initiative (CDCI) institutions.

OFS Salaries and Benefits -\$1,267,000 / -8 FTE

Savings resulted from natural attrition and expiration of term appointments due to the wind-down of various TARP programs.

Organizational Support -\$5,288,000/ +0 FTE

Administrative costs associated with managing OFS's portfolio will decline over time as TARP winds down. However, many duties and responsibilities will remain and are not directly correlated to the volume of assets held by OFS. Many of these organizational support functions will be run in-house and relate to legislative and oversight-mandated reporting functions, as well as the management and maintenance of TARP's housing programs.

2.2 – Operating Levels Table

Dollars in Thousands

Office of Financial Stability Object Classification	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
11.1 - Full-time permanent	9,132	9,000	8,104
11.7 - Other Personnel Compensation	112	90	81
11.9 - Personnel Compensation (Total)	9,243	9,090	8,185
12.0 - Personnel benefits	2,673	2,700	2,491
Total Personnel Compensation and Benefits	\$11,916	\$11,790	\$10,676
21.0 - Travel and transportation of persons	171	225	145
23.0 - Rent, communications and utilities	9	0	0
25.1 - Advisory and assistance services	156,278	135,319	116,164
26.0 - Supplies and materials	479	456	437
31.0 - Equipment	8	8	8
43.0 - Interest and dividends	0	0	0
Total Non-Personnel	156,945	136,007	116,754
Total Budgetary Resources	\$168,861	\$147,797	\$127,430
Budget Activities:			
EESAP - TARP Administrative Account	168,861	147,797	127,430
Total Budgetary Resources	\$168,861	\$147,797	\$127,430
FTE	74	72	64

Table includes direct FTEs.

Totals may not foot due to rounding.

2B – Appropriations Language and Explanation of Changes

OFS does not receive any discretionary appropriation authority from Congress. Therefore, no appropriations language is proposed.

2C – Legislative Proposals

OFS has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – EESA Program Descriptions

Bank Support Programs

Capital Purchase Program (CPP): OFS's largest program was launched to stabilize and build confidence in the financial system by bolstering the capital position of viable institutions. OFS created the CPP in October 2008 to help ensure that the nation's banking institutions had a sufficient capital cushion against potential future losses and to support lending to creditworthy borrowers. OFS provided a total of \$204.9 billion in capital to 707 institutions in 48 states.

During FY 2015, OFS focused on winding down the CPP according to the exit strategy announced on May 3, 2012. That strategy continues to include repayments by those institutions that are able to do so, selling OFS's positions in banks that are unlikely to repay in the near-term, and restructuring some investments. As of November 30, 2015, the CPP has generated \$226.6 billion in total receipts for taxpayers with 18 institutions remaining in the program for a total of \$263 million in investments outstanding.

Targeted Investment Program (TIP): OFS completed the wind-down of the \$40.0 billion TIP in December 2009 and received net proceeds of \$4.4 billion in excess of disbursements. For additional information on TIP, please reference previous budget submissions.

Asset Guarantee Program (AGP): OFS completed the wind-down of the \$5 billion AGP in February 2013, and received more than \$4.1 billion in proceeds from the AGP without disbursing any claim payments. For additional information on AGP, please reference previous budget submissions.

Community Development Capital Initiative (CDCI): OFS created the Community Development Capital Initiative (CDCI) on February 3, 2010, to help viable certified Community Development Financial Institutions (CDFIs) and the communities they serve cope with effects of the financial crisis. It was put in place to help keep day-to-day financing available to families and businesses in hard-hit communities that are underserved by traditional banks.

Under this program, CDFI banks, thrifts, and credit unions received investments in capital with an initial dividend or interest rate of two percent. To encourage repayment while recognizing the unique circumstances facing CDFIs, the dividend rate increases to nine percent after eight years.

OFS invested a total of \$570 million in 84 CDFIs, of which 28 institutions converted \$363 million (including warrants) from CPP to CDCI. As of November 30, 2015, 23 institutions have fully repaid their investment, 5 institutions have partially repaid their investment, and one has been taken into receivership, and the program has approximately \$445 million in investments outstanding.

Credit Market Programs

Public-Private Investment Program (PPIP): On March 23, 2009, OFS launched the Legacy Securities Public-Private Investment Program (PPIP) to help restart the market for non-agency residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities

(CMBS). The purpose of PPIP was to draw new private capital into the market for legacy RMBS and CMBS by providing financing on attractive terms as well as a matching equity investment from OFS. Treasury invested a total of \$18.6 billion in the program. All of the Public-Private Investment Funds have been effectively wound down and OFS has recovered all of its debt and equity investments plus an additional \$3.9 billion in revenue.

Term Asset-Backed Securities Loan Facility (TALF): OFS completed the wind-down of TALF in February 2013 when OFS's \$100 million disbursed investment was fully repaid. OFS received net proceeds of \$685 million in excess of disbursements. For additional information on TALF, please reference previous budget submissions.

Small Business Administration (SBA) 7(a) Securities Purchase Program: OFS sold all its SBA 7(a) securities in the portfolio by FY 2012, marking the successful wind-down of the \$368 million program. OFS received net proceeds of \$9 million in excess of disbursements. For additional information on SBA, please reference previous budget submissions.

Other Programs

American International Group, Inc. (AIG) Investment Program: The Federal Reserve and later OFS, after EESA became law, provided assistance to AIG totaling approximately \$182 billion, which included \$70 billion from OFS and \$112 billion committed by the FRBNY. In FY 2013, OFS and the FRBNY completed the recovery of their investments in AIG. OFS and FRBNY have recovered that entire amount and an additional \$22.7 billion and Treasury fully exited its investment in AIG in FY 2013. For additional information on AIG, please reference previous budget submissions.

Automotive Industry Financing Program (AIFP): Under AIFP, OFS invested a total of \$79.7 billion in GM, Ally Financial (Ally), and Chrysler.

OFS made loans totaling \$50.2 billion (including funds for warranty suppliers) to GM. Some of those loans were subsequently converted to common stock in GM. Through share repurchases by the company, as well as sales of shares to investors, OFS completed its disposition of GM in December 2013, with proceeds of \$10.5 billion less than invested.

OFS committed a total of \$12.4 billion to Chrysler under TARP. In July 2011, OFS fully exited its investment in Chrysler, six years ahead of schedule. Of the \$12.4 billion disbursed to Chrysler under TARP, OFS recovered more than \$11.2 billion for taxpayers through principal repayments, interest, and cancelled commitments. OFS is unlikely to fully recover the difference of \$1.2 billion owed by Old Chrysler.

OFS invested \$17.2 billion in Ally under TARP (including \$884 million invested through GM). OFS has fully liquidated its investment in Ally Financial through repurchases, private placements, an initial public offering (IPO), and underwritten common stock sales and has realized cumulative receipts of \$19.6 billion, \$2.4 billion more than invested.

Treasury Housing Programs Under TARP

OFS established several programs under TARP to address the historic housing crisis and help struggling homeowners avoid foreclosure wherever possible. These programs have helped

millions of homeowners avoid foreclosure and introduced important new reforms for the mortgage servicing industry to help make mortgage modifications become more sustainable and affordable.

Making Home Affordable Program (MHA): In early 2009, OFS launched the Making Home Affordable[®] Program (MHA) to help struggling homeowners avoid foreclosure and stabilize the housing market. The cornerstone of MHA is the Home Affordable Modification Program (HAMP), which provides eligible homeowners the opportunity to reduce their monthly mortgage payments to more affordable levels. OFS also introduced additional programs under MHA to help homeowners who are unemployed, “underwater” on their loan (those who owe more on their home than it is currently worth), or are struggling with a second lien. It also includes options for homeowners who would like to transition to a more affordable living situation through a short sale or deed-in-lieu of foreclosure. In addition, OFS has recently made changes to MHA programs to better assist homeowners avoid foreclosure and create a safety net for borrowers facing rate step-ups in a HAMP modification. These changes include increasing borrower incentives, lowering interest rates, and providing payment relief on HAMP modifications. In July 2015, OFS announced a streamlined modification process under HAMP to assist homeowners who are seriously delinquent and have not completed a HAMP application.

In addition to HAMP, MHA includes additional programs to help homeowners with specific types of mortgages, in conjunction with the Federal Housing Administration (FHA) and the United States Department of Agriculture (USDA). As of November 30, 2015, OFS had disbursed \$12.9 billion out of a possible \$29.8 billion under MHA.

Housing Finance Agency (HFA) Hardest-Hit Fund: The Administration established the Hardest Hit Fund (HHF) in February 2010 to provide targeted aid to homeowners in states hit hardest by the economic and housing market downturn. As part of the Administration’s overall strategy for restoring stability to housing markets, HHF provides funding for state Housing Finance Agencies (HFAs) to develop locally-tailored foreclosure prevention solutions in areas that have been hardest hit by home price declines and high unemployment. From its initial announcement, this program evolved from a \$1.5 billion initiative focused on HFAs in the five states with the steepest home price declines and the vast majority of underwater homeowners to a broader-based \$7.6 billion initiative encompassing 18 states and the District of Columbia (DC). In December 2015, the Consolidated Appropriations Act, 2016 (P.L. 114-113) granted Treasury authority to make an additional \$2.0 billion in commitments through the HHF.

HHF programs vary state to state, but may include such programs as mortgage payment assistance for unemployed or underemployed homeowners, principal reduction to help homeowners get into more affordable mortgages, funding to eliminate homeowners’ second lien loans, help for homeowners who are transitioning out of their homes and into more affordable living situations, blight elimination in an effort to stabilize neighborhoods and prevent foreclosures, and down payment assistance to moderate-income qualified homebuyers in distressed markets. As of November 30, 2015, OFS had disbursed \$5.8 billion under the HFA Hardest-Hit Fund.

Federal Housing Administration (FHA)-Refinance Program: OFS also continues to support the Federal Housing Administration Short Refinance Program. Under this program, eligible borrowers who are current on their mortgage or complete a trial payment plan but owe more than their home is worth, can refinance into an FHA-insured loan if the lender writes off at least 10 percent of the existing loan. Utilization of the program has been limited with OFS providing coverage for only approximately 4,200 loans refinanced as of September 30, 2015. As such, OFS has reduced the letter of credit (LOC) facility supporting this program from \$8.1 billion to \$100 million. As of September 30, 2015, the revised lifetime cost estimate for the program is \$29 million for outstanding refinanced loans.

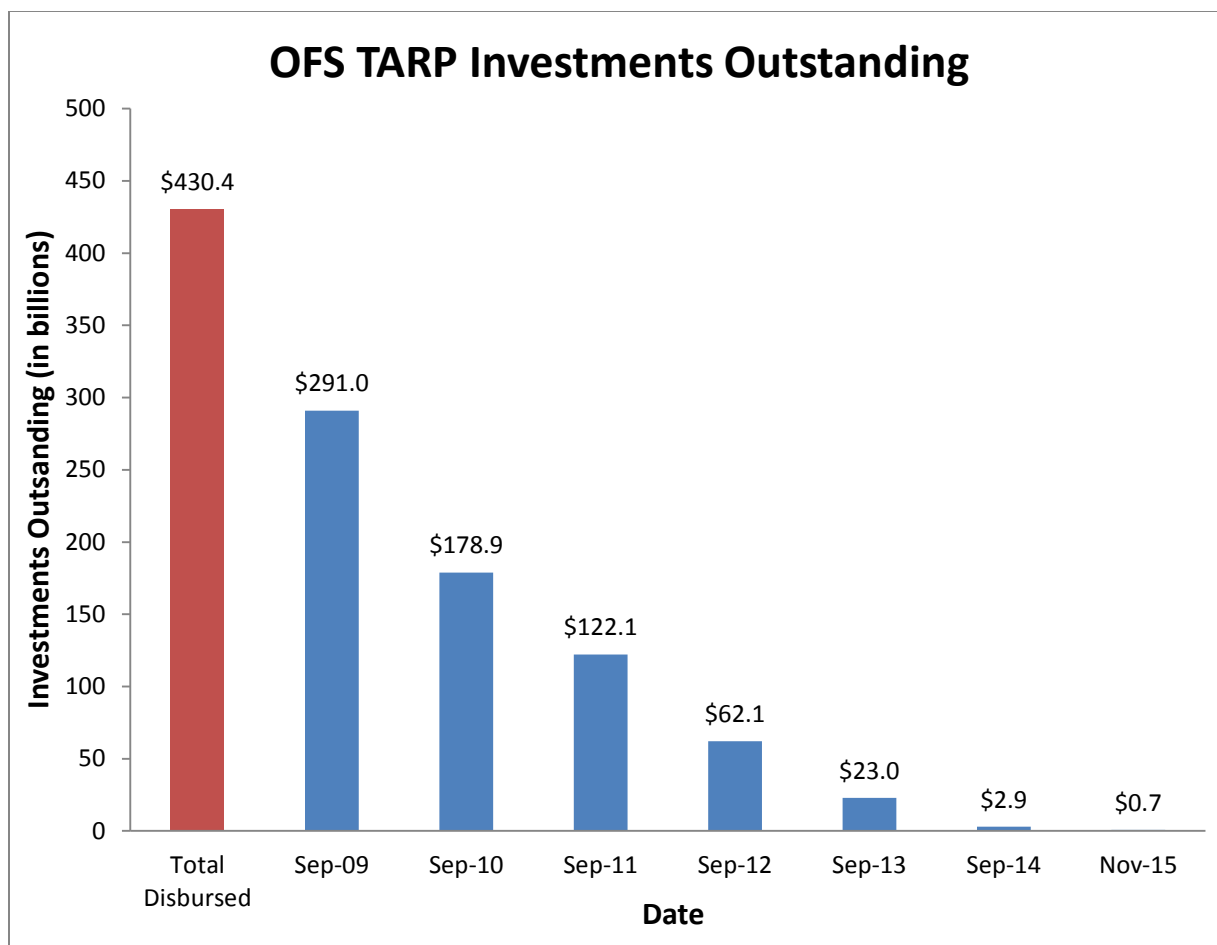
3B – EESA Administration

The authority for the OFS administrative budget is provided in Section 118 of EESA. The administrative budget consists primarily of contracting and financial agent support costs associated with OFS's ongoing implementation and management of the TARP housing programs and the management and disposition of OFS's remaining investments. In addition, continuing organizational support, including information technology, facilities, legal, compliance, accounting, and human resources, will be needed to manage these ongoing OFS initiatives. The owner of OFS's performance is the Deputy Assistant Secretary for Financial Stability.

3C – Operational Goals

Complete the wind-down of the investment programs

The first operational goal for OFS is to complete the wind-down of the TARP investment programs. OFS is continuing to implement the three-pronged exit strategy for the Capital Purchase Program (CPP), which was announced in May 2012. That strategy includes a combination of waiting for those banks that are capable of repaying in the near future to repay at par, selling banking investments to private investors through auctions in cases where the bank is not expected to be able to repay in the near future, and, in a limited number of cases, restructuring investments. Unlike the CPP, OFS did not take substantial actions during fiscal year 2015 to wind-down the CDCI because of the unique circumstances facing participating institutions. In particular, many CDCI participants lack the same access to capital markets that CPP institutions have, making it more challenging for them to repay the TARP investments in their institutions. As of November 30, 2015, \$445 million in CDCI investments remained outstanding. OFS will continue to closely monitor the performance of the CDCI and make decisions regarding the program's wind-down at a later date. All other TARP investment programs have been effectively wound down.



Continue to help struggling homeowners avoid foreclosure

OFS's second operational goal is to continue helping struggling homeowners avoid foreclosure. The Making Home Affordable Program (MHA) is helping homeowners and assisting in stabilizing the housing market. On June 26, 2014, the Administration extended the application deadline for MHA programs to December 31, 2016, to provide struggling homeowners additional time to access sustainable mortgage relief. The largest program within MHA is the Home Affordable Modification Program (HAMP). Under this program more than 1.5 million homeowners have had their mortgages modified permanently as of September 30, 2015. HAMP has also set new standards and changed practices throughout the mortgage servicing industry in fundamental ways. Together, public and private efforts have helped millions of Americans get mortgage assistance to prevent avoidable foreclosures. In addition, the Hardest Hit Fund provides funding to 18 states and the District of Columbia to provide assistance to struggling homeowners through locally tailored programs.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Performance Metrics and Indicators¹ (includes GSE and non-GSE)	Actual	Actual	Actual	Actual	Actual
<i>Reduction in median payment for homeowners in permanent modifications (assist homeowners) program-to-date.</i>	\$526	\$541	\$547	\$540	\$481
<i>Number of modifications entered into (assist homeowners)</i>					
Trial	344,598	213,613	181,505	137,550	122,496
Permanent	361,076	233,622	178,039	148,070	125,338
<i>12-month re-default rate for Permanent Modifications (90+ days delinquency rate for loans seasoned 12 months)</i>	15.4%	14.5%	13.6%	13.5%	13.1%

¹Items in *italics* are indicators.

Minimize cost to taxpayer

The third operational goal of OFS is to minimize the cost of the TARP programs to the taxpayer. OFS manages TARP investments to minimize costs to taxpayers by carefully managing the timely exit of these investments to reduce taxpayers' exposure, returning TARP funds to reduce the federal debt, and continuing to replace government assistance with private capital in the financial system. OFS has taken a number of steps to dispose of our outstanding investments in a manner that balances the need to exit these investments as quickly as practicable with maximizing returns for taxpayers. OFS also takes steps to ensure that TARP recipients comply with any TARP-related statutory or contractual obligations such as executive compensation requirements and restrictions on dividend payments.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Performance Metrics and Indicators¹	Actual	Actual	Actual	Actual	Actual
<i>Proceeds from warrant repurchases as percent of aggregate CPP preferred investment amount</i>	2.4%	1.9%	3.3%	4.2%	9.0%
(plus median for the selected banks)					

¹Items in *italics* are indicators.

Continue to operate with highest standards of transparency, accountability, and integrity

OFS's final goal is to continue to operate with highest standards of transparency, accountability, and integrity. OFS posts a variety of reports online that provide the taxpayer with regular and comprehensive information about how TARP funds are being spent, who has received them and on what terms, and how much has been collected to date. As part of this effort, in June 2013, we enhanced and expanded the existing TARP Tracker on Treasury's website to enable users to view the flow of funds for a specific time period or over the lifetime of a TARP program. OFS also publishes the annual audited Agency Financial Report and continues to maintain productive working relationships with three oversight bodies charged with auditing and reviewing the TARP activities.

Performance Metrics and Indicators¹	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
<u>Percentage of statutorily-mandated reports submitted on time</u> (ensure transparency within the government)	100%	100%	80%	99%	100%	100%	100%	100%
<u>Percentage of customers satisfied with FinancialStability.gov (self-selected respondents)</u> (ensure transparency of operations to the public)	66%	67%	70%	69%	67%	75%	70%	70%
<u>Timeliness of responses</u> (ensure transparency within the government)								
Average days to close a FOIA case ²	98	90	21	NA	NA	NA	NA	NA
Percentage of FOIA requests on-time or less than 30-days overdue ²	NA	NA	NA	15%	13%	33%	33%	33%
Percentage of Congressional correspondence responses drafted within 10 days	98%	99%	100%	92%	50%	100%	100%	100%
<u>Clean audit opinion on TARP financial statements</u> (ensure transparency within the government)	Yes	Yes	Yes	Yes	Yes	NA	Yes	Yes
<u>Percentage of SIGTARP and GAO oversight recommendations responded to on time</u> (ensure transparency within the government)	88%	82%	80%	100%	100%	100%	100%	100%

¹Items underlined are measures. Targets are provided only for measures.

²The 'Average days to close a FOIA case' measure was discontinued in third quarter FY 2014 to best reflect available reporting data. OFS now reports 'Percentage of FOIA requests on-time or less than 30-days overdue'.

Section 4 – Supplemental Information

4A – Summary of Capital Investments

OFS uses Departmental Office's (DO) system and is part of DO's capital investment strategy.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at <http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

Small Business Lending Fund

FY 2017

President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

The Small Business Jobs Act of 2010 (P. L. No. 111-240) (the “Act”) established the Small Business Lending Fund (SBLF). The SBLF is a dedicated fund designed to provide capital to qualified community banks (including banks, thrifts, and bank and thrift holding companies) and community development loan funds (CDLFs) with consolidated assets of less than \$10 billion in order to encourage small business lending. The purpose of the SBLF program is to encourage Main Street banks and small businesses to work together, help create jobs, and promote economic growth in communities across the nation.

1.1 – Program Account Summary

Dollars in thousands

	FY 2015	FY 2016	FY 2017	FY 2016 to FY 2017	
	Actual	Estimated	Estimated	\$ Change	% Change
Obligations	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Subsidy Re-estimate	15,636	0	0	0	0.00%
Small Business Lending Fund Admin Account	14,949	10,868	13,405	2,537	23.34%
Total Obligations	30,585	\$10,868	\$13,405	\$2,537	23.34%
Budget Authority					
Small Business Lending Fund Admin Account	14,949	10,868	13,405	2,537	23.34%
Small Business Lending Fund Program Account	15,636	0	0	0	0.00%
Total Budget Authority	30,585	\$10,868	\$13,405	\$2,537	23.34%
Outlays					
Small Business Lending Fund Admin Account	6,009	11,238	13,394	2,156	19.19%
Small Business Lending Fund Program Account	21,065	0	0	0	0.00%
Total Outlays	27,074	\$11,238	\$13,394	\$2,156	19.19%

1.2 – Financing Account Summary

Dollars in thousands

	FY 2015	FY 2016	FY 2017	Change	% Change
	Actuals	Estimated	Estimated	FY 2016 to FY 2017	FY 2016 to FY 2017
Small Business Lending Fund Finance Account	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Obligations	0	0	0	-	0.00%
Collections	681,000	1,943,000	150,000	(1,793,000)	-92.28%
Financing Authority (net)	589,000	1,867,000	130,000	(1,737,000)	-93.04%
Financing Disbursements (net)	589,000	1,867,000	130,000	(1,737,000)	-93.04%

1.3 – Program Disbursement, Repayments, and Cost/Savings

Dollars in billions

	Cumulative Obligated	Cumulative Disbursed	Cumulative Outstanding (Includes Realized Losses)	Total Cumulative Income	Total Cumulative Repayments	Total Estimated Life Costs
SBLF Program Investments	4.03	4.03	2.36	0.31	1.66	-0.05
Total	\$4.0	\$4.0	\$2.4	\$0.3	\$1.7	(\$0.1)

1B – Vision, Priorities and Context

SBLF supports the Treasury strategic goal, “Promote domestic economic growth, and stability while continuing reforms of the financial system.” In total, the SBLF invested \$4.03 billion in 332 community banks and CDLFs.

In Fiscal Year (FY) 2015, the SBLF program office continued its FY 2014 focus on investment management, operations, compliance and controls, and reporting activities. Specifically, the SBLF program office focused on the following activities:

Investment Management: SBLF monitored the SBLF investment portfolio and made recommendations to senior Treasury officials on decisions related to investment performance and activities.

Operations: SBLF managed the program’s data and information in connection with participant reporting, dividend, interest, and fee payments, and capital repayments. In addition, SBLF prepared for the expected surge of participants exiting the program prior to the step up rate in the first quarter of 2016.

Compliance and Controls: SBLF monitored participant conformance with program terms, including lending data, certification requirements, and other requirements provided for by the SBLF Securities Purchase Agreement. SBLF also developed and executed internal control procedures for processes across SBLF program office functions.

Reporting: SBLF continued its reporting efforts in FY 2015. These activities included reporting to Congress on the program’s transactions, costs, and the participants’ lending growth, correspondence, and publishing the results of the program’s third annual lending survey.

Summary of SBLF Program Goals for FY 2016 and Forward

For FY 2016 and forward, the SBLF program office plans to continue its focus on investment management, operations, compliance and controls, and reporting.

Investment Management: SBLF will continue to monitor the SBLF investment portfolio and make recommendations to senior Treasury officials on decisions related to investment performance and activities, including evaluation of the portfolio following the step up rate and consideration of potential disposition strategies.

Operations: SBLF will continue to manage the program’s data and information in connection with participant reporting, dividend, interest, and fee payments, and capital repayments.

Compliance and Controls: SBLF will continue to execute a compliance program to monitor participant conformance with program terms, including lending data, certification requirements, and other requirements provided for by the SBLF Securities Purchase Agreement. SBLF also plans to continue executing internal control procedures for processes across SBLF program office functions.

Reporting: SBLF will continue its outreach and reporting efforts. These activities include reporting to Congress on the program's transactions, costs, and the participants' lending growth, correspondence, and publishing the results of the program's fourth annual lending survey.

Summary of Office of Inspector General (OIG) Activity

In FY 2017, the OIG will continue to provide audit and investigative oversight of the SBLF. The authorizing legislation for this small business lending initiative requires the OIG to conduct, supervise, and coordinate audits and investigations of the SBLF program and to issue a program oversight report no less than twice a year to the Congress and the Secretary of the Treasury.

The FY 2017 budget request will support six OIG employees through a reimbursable agreement to perform audits of financial institutions receiving SBLF investments. The OIG's efforts in FY 2017 will primarily focus on audits of selected financial institutions to determine whether they accurately reported their levels of small business lending activity, which Treasury uses to set the final lockdown dividend rate that participants will pay on Treasury's investment. The OIG's efforts will also focus on Treasury's management of securities purchased with SBLF funds and payment of dividends by Community Development Loan Funds.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Small Business Lending Fund	FTE	Amount
FY 2016 Estimated	19	\$10,868
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$269
Pay-Raise	-	\$28
Pay Annualization	-	\$9
Non-Pay	-	\$232
Subtotal Changes to Base	-	\$269
Total FY 2017 Base	19	\$11,137
Program Changes:		
Program Decreases:	-	(\$232)
Contracts and other reductions	-	(\$232)
Program Increases:	-	\$2,500
Disposition Agent	-	\$2,500
Total FY 2017 Estimated	19	\$13,405

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)+\$269,000 / +0 FTE

Pay-Raise +\$28,000 / +0 FTE

Funds are required for the proposed January 2017 pay-raise.

Pay Annualization +\$9,000 / +0 FTE

Funds are required for annualization of the January 2016 pay-raise.

Non-Pay +\$232,000 / +0 FTE

Funds are required for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

Program Decreases-\$232,000 / +0 FTE

Contract and other reductions -\$232,000 / +0 FTE

Reductions in contract support.

Program Increases+\$2,500,000 / +0 FTE

Disposition Agent +2,500,000 / +0 FTE

The SBLF portfolio of banks and community development loan funds will likely be disposed of at some point after the rate step-up. A financial disposition agent would assist the SBLF program in preparing for various wind down disposition, including primarily auctions and restructurings for those institutions that don't repay on their own.

2.2 – Operating Levels Table

Dollars in Thousands

Small Business Lending Fund	FY 2015	FY 2016	FY 2017
Object Classification	Actual	Estimated	Estimated
11.1 - Full-time permanent	1,662	2,269	2,296
11.9 - Personnel Compensation (Total)	1,662	2,269	2,296
12.0 - Personnel benefits	489	547	557
Total Personnel Compensation and Benefits	\$2,151	\$2,816	\$2,853
21.0 - Travel and transportation of persons	2	20	20
23.1 - Rental payments to GSA	4569	426	426
25.1 - Advisory and assistance services	759	2,014	2,014
25.2 - Other services	4,786	2,950	5,450
25.3 - Other purchases of goods & serv frm Govt accounts	2,524	2,478	2,478
26.0 - Supplies and materials	158	164	164
41.0 - Grants, subsidies, and contributions	15,636	0	0
Total Non-Personnel	28,434	8,052	10,552
Total Budgetary Resources	\$30,585	\$10,868	\$13,405
Budget Activities:			
SBLF Program	15,636	0	0
SBLF Administration	14,949	10,868	13,405
Total Budgetary Resources	\$30,585	\$10,868	\$13,405
FTE	14	19	19

2B – Appropriations Language and Explanation of Changes

SBLF does not receive any discretionary appropriation authority from Congress. Therefore, no appropriations language is proposed.

2C – Legislative Proposals

SBLF has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – SBLF Program

All investment activity occurred in FY 2011. The cost of purchases of preferred stock and other financial instruments made as capital investments are required by law to be determined as provided under the Federal Credit Reform Act (FCRA).

The total program volume and anticipated repayments are reflected in the SBLF financing account (table 1.2). This non-budgetary account records all cash flows to and from the federal government resulting from direct capital obligated in FY 2011 and beyond. The amounts in this account are a means of financing and are not included in the budget totals.

Treasury completed investments in 332 institutions for a total of \$4.03 billion in capital invested. Based on reports from participating institutions as of the quarter ending March 31, 2015, program participants have increased their qualified small business lending by \$15.4 billion over baseline levels. As of August 1, 2015, 73 institutions with aggregate investments of \$1.2 billion have fully redeemed their SBLF funding and exited the program, and 31 institutions have made partial redemptions totaling \$339.7 million but continue to participate in the program.

The Small Business Jobs Act of 2010 includes specific reporting requirements for SBLF. The legislation requires a monthly written report describing all of the program transactions, the quarterly reporting of funds used by participating banks, a semi-annual report on administrative costs, and a report on the program's impact on small business lending among women-, minority-, and veteran-owned businesses.

In accordance with these statutory requirements, Treasury has published 83 transaction and program reports, including a detailed study of the impact of the SBLF program on women-, minority-, and veteran-owned businesses, as well as 16 quarterly "Lending Growth" (formerly "Use of Funds") reports. In addition, Treasury released the results of the third annual SBLF lending survey, which expanded program reporting with respect to how SBLF funds were used by program participants.

The SBLF program completed the review and, if applicable, funding of all eligible program applicants by the September 27, 2011 statutory deadline.

The SBLF program office developed a set of asset management performance measures to continually monitor the impact of the Fund's investments and the efficiency of its operations. The measures address two aspects of program performance:

1. Efficiency Measures (to assess the administrative aspects of the program)

- a. Monitoring of investment portfolio condition
- b. Review of compliance and supplemental report submissions by participants
- c. Publication of reports as required by statute

In FY 2015, the SBLF program office has:

- a. produced, on a quarterly basis, portfolio monitoring reports that include institution-specific credit scores, dashboards, and watch lists;

- b. maintained a record of compliance submissions and implemented an analytical process for identifying errors in supplemental report submissions and receiving corrected submissions; and
- c. published all reports required by the Small Business Jobs Act of 2010.

2. Outcome Measures (to assess the impact of the program on small business lending)

- a. Increase in small business lending by participating institutions
- b. Increase in business lending by participating banks versus comparable institutions
- c. Receipt of expected dividend, interest and fee payments by participating institutions

As of March 31, 2015, SBLF participants have increased their small business lending by \$15.4 billion over a \$31.3 billion baseline, which was a \$280 million increase over the prior quarter. Increases in small business lending are widespread across SBLF participants, with 98 percent of participants having increased their small business lending over baseline levels.

Most SBLF participants (93 percent) have increased small business lending by 10 percent or more. Over the same period, banks participating in SBLF have increased business loans outstanding by a median of 73.6 percent over baseline levels, versus a 23.1 percent median increase for a representative peer group of non-SBLF banks and a 17.8 percent median increase for a broader comparison group of non-SBLF banks. As of August 1, 2015, SBLF has received dividend, interest, and fee payments totaling \$277.6 million.

Treasury currently estimates that the investments made through SBLF will generate a lifetime positive return of \$51 million for the Treasury General Fund. The figures in the following table reflect Treasury's calculation of the estimated cost of SBLF investments in the President's Budget for FY 2017.

Estimated Cost of SBLF Investments
(Dollars in millions)

	Subsidy Rate	Projected/Actual Investment Amount	Projected Lifetime Cost (Savings)
Original estimate	7.24%	17,399	1,260
President's Budget for fiscal year 2013	-2.08%	4,028	-84
President's Budget for fiscal year 2014	-1.26%	4,028	-50
President's Budget for fiscal year 2015	-0.63%	4,028	-25
President's Budget for fiscal year 2016	-0.26%	4,028	-10
President's Budget for fiscal year 2017	-1.27%	4,028	-51

Treasury estimated the program's budget cost in conformance with the FCRA methodology using actual program data for FY 2011 – FY 2015. This data, combined with the expected future cash flows, results in a subsidy rate of -1.27 percent compared to an original subsidy rate of 7.24 percent.

As required by FCRA, the lifetime cost and subsidy rate of the SBLF program is estimated on a present value basis. Assumptions used to estimate future cash flows include, but are not limited

to: (1) the cumulative default rate for program participants, (2) the cash flows received by Treasury from the participants' dividend, interest, and other payments, and (3) Treasury's cost of raising funds to make SBLF investments.

The current estimate of the program's projected lifetime savings incorporates a forecasted cumulative default rate of 0.42 percent compared to a 2.70 percent rate in the prior year's estimate^[1]. This lower rate reflects an overall improvement in the financial condition of program participants and increased repurchase rates of SBLF investments. Inclusive of these changes, the projected program lifetime savings is \$51 million.

3B – SBLF Administration

(\$13,405,000 from mandatory appropriations):

The authority to pay administrative expenses is provided by Section 4108(b) of the Act. Administrative expenses include the costs of government employee salaries, contract support, and reimbursement to the Treasury Office of Inspector General for program audits. Treasury is required by law to submit semi-annual reports to the appropriate committees of Congress detailing administrative expenses.

3.1.2 – SBLF Administration Budget and Performance Plan

Dollars in Thousands

SBLF Administration Budget Activity						
Resource Level	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Estimated	Estimated
Mandatory Resources	\$22,831	\$18,705	\$20,469	\$14,949	\$10,868	\$13,405
Budget Activity Total	\$22,831	\$18,705	\$20,469	\$14,949	\$10,868	\$13,405

^[1] The forecasted cumulative default rate represents the projected investment amounts not repaid by program participants as a percentage of all SBLF investments. The rate is estimated based on the financial condition of program participants relative to the historical performance of institutions rated by a major ratings agency.

Section 4 – Supplemental Information

4A – Summary of Capital Investments

SBLF uses Departmental Office's (DO) systems and is part of DO's capital investment strategy.

A summary of capital investment resources, including major information technology and non-information technology investments, can be viewed and downloaded at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

State Small Business Credit Initiative

FY 2017
President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

To increase the availability of credit for small businesses and to generate jobs and other economic development benefits for states, Treasury has implemented the State Small Business Credit Initiative (SSBCI).

1.1 – Resource Detail Table

Dollars in Thousands

State Small Business Credit Initiative Budgetary Resources	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
	Actual		Estimated		Estimated		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Budgetary Resources:										
Recovery from Prior Years	-	1,908	-	-	-	-	-	-	0.00%	0.00%
Offsetting Collections	-	605	-	-	-	-	-	-	0.00%	0.00%
Unobligated Balances from Prior Years	-	19,323	-	15,483	-	8,780	-	(6,703)	0.00%	-43.29%
Subtotal Budgetary Resources	-	21,836	-	15,483	-	8,780	-	(6,703)	0.00%	-43.29%
Other Resources:										
SSBCI Program	-	-	-	-	-	-	-	-	0.00%	0.00%
SSBCI Administration	9	6,353	9	6,703	9	6,327	-	(376)	0.00%	-5.61%
Subtotal Other Resources	9	6,353	9	6,703	9	6,327	-	(376)	0.00%	-5.61%
Net Results	9	15,483	9	8,780	9	2,453	-	(6,327)	0.00%	-72.06%

1B – Vision, Priorities, and Context

SSBCI funds new and existing state programs that support lending to and investment in small businesses to stimulate economic growth and new jobs. Under SSBCI, participating states use the federal funds for programs that leverage private lending to help finance small businesses and manufacturers that are creditworthy but are not getting the loans and investments they need to expand and create jobs.

The Small Business Jobs Act of 2010 (the Act) authorized and appropriated \$1.5 billion for SSBCI through FY 2017. Due to the success of SSBCI, the FY 2017 President's Budget proposes a new authorization of \$1.5 billion to build on the momentum of the program's first round, strengthen the federal government's relationships with state economic development agencies, and provide capital to America's diverse community of entrepreneurs. The new authorization would run from FY 2017 through FY 2023.

SSBCI allows states to build on successful models for state small business lending and investment programs, including capital access programs (CAPs), collateral support programs, loan guarantee programs, loan participation programs, and venture capital programs. States are required to demonstrate a reasonable expectation that a minimum of \$10 in new private lending will result from every \$1 in federal funding over the life of the program. SSBCI aligns with Treasury's strategic goal to promote domestic economic growth and stability while continuing reforms of the financial system.

Priorities:

- To provide direct funding support to states for use in programs designed to increase access to credit for small businesses.
- To support state CAPs and other credit support programs that support lending to and investment in small businesses and small manufacturers.
- To monitor the deployment of SSBCI funds among approved state programs and to ensure adherence to all Treasury compliance standards.
- To promote best practices in program design, operations, and marketing among state-run programs.
- To provide technical assistance to states as they implement these programs and deploy funds to eligible small businesses.

SSBCI Program Activities

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the Act). Section 3003 of the Act authorized and directed the Secretary of the Treasury to establish a seven-year SSBCI, which was funded with \$1.5 billion to support state programs that support lending to small businesses and small manufacturers. Since the passage of the Act, SSBCI has positively impacted small business access to capital and local economies around the nation, supported over 12,400 private sector loans or investments to small businesses, and helped create or retain over 140,000 jobs, as reported by the small businesses who received the loans and investments¹.

Proposal for Extension

The FY 2017 President's Budget proposes a new authorization of SSBCI to build on the momentum of the program's first round of funding, strengthen the federal government's relationships with state economic development agencies, and provide capital to America's diverse community of entrepreneurs. The budget proposes extending SSBCI with a new authorization of \$1.5 billion awarded in two allocations: \$1 billion awarded on a competitive basis to states best able to target local market needs, promote inclusion, attract private capital for start-up and scale-up businesses, strengthen regional entrepreneurial ecosystems, and evaluate results; and \$500 million awarded by a need-based formula.

Program Activity to Date

Under SSBCI, states were offered the opportunity to apply for federal funds for programs that support private lending and investing to small businesses. SSBCI allows states to build upon existing, successful state-level small business lending and investing programs, such as CAPs, collateral support programs, loan participation programs, loan guarantee programs, and state-sponsored venture capital programs. If a state did not have an existing small business program, the state could establish one in order to access this funding.

¹ Source for transaction and job creation and retention figures is the annual report data submitted by states for the periods ending December 31, 2011 through December 31, 2014.

As of September 30, 2015, all program participants reported expending or obligating SSBCI funds to support loans or investments in businesses. As of the same date, Treasury had outlayed to states approximately \$1.36 billion or 94 percent of the total funds available for disbursement. Treasury expects states to qualify to receive most of the remaining funds in FY 2016. States report transaction details to Treasury annually. Data through December 2014, when states expended \$864 million in SSBCI funds to leverage \$6.4 billion in new financing, suggest the following key findings:

- **SSBCI funds have supported thousands of loans and investments that might not otherwise have been made to small businesses in a wide range of sectors.** SSBCI financing reached small businesses in industries ranging from retail trade to manufacturing, hospitality, and many types of services. Nearly two-thirds of all SSBCI loans or investments supported by SSBCI were for less than \$100,000, and the average loan or investment size was \$369,000.
- **SSBCI funds have helped create or save more than 140,000 American jobs.** The small business owners who received financing expect that the loans and investments they received will create over 48,000 jobs within two years and help retain more than 92,000 jobs that were at risk of loss.
- **SSBCI funds support businesses with the highest potential to create new jobs.** More than half of all SSBCI loans or investments went to young businesses less than five years old, which economic research by the Kauffman Foundation suggests are more likely to create new jobs than similarly-sized businesses that are farther along in their development. Nearly 80 percent of all SSBCI loans and investments went to businesses with 10 or fewer employees.
- **Forty-two (42) percent of SSBCI loans and investments were made to businesses in low- and moderate-income communities with incomes at or below 80 percent of the area median income.** SSBCI has been effective in supporting small businesses in areas that were hit hardest by the recession and where the need is greatest.
- **Through 2014, SSBCI operations had generated \$7.36 in new small business lending or investing for every \$1 of federal support.** Private sector leverage is expected to increase before the program concludes.
- **SSBCI has helped create more than 87 new small business support programs, which account for 54 percent of the programs currently disbursing SSBCI funds.** Through the availability of SSBCI funds, a new infrastructure of state-operated credit support programs has been created across the country.

States were eligible to apply for funds that were allocated by formula in the Act based on each state's decline in employment relative to the overall national decline. Pursuant to the Act, funds were available to all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, American Samoa, and the United States Virgin Islands. In the event a state chose not to participate in SSBCI, municipalities in that state could apply for the state's allocation. Ultimately, 47 of 50 states applied to participate in SSBCI (North Dakota, Wyoming, and Alaska did not participate).

Through FY 2014, Treasury had approved a total of 57 allocations to 47 states, the District of Columbia, five U.S. territories, and four municipalities (or consortia of municipalities) from

Alaska, North Dakota, and Wyoming. Once approved, all funding for each respective entity is allocated. Treasury transfers funds to participating states in three disbursements. Outlays occur as the participating states expend, obligate, or transfer the funds and submit disbursement requests to Treasury. In addition, less than three percent of the appropriation has been allocated to Treasury administrative expenses, which also covers administrative expenses of the Office of the Inspector General dedicated to auditing the use of SSBCI funds. Treasury will expend administrative costs over the seven-year life of the program.

FY 2017 Program Activity

In FY 2017, the last year of existing program authority, SSBCI will continue to monitor compliance and provide technical assistance to states and respond to OIG audits of states' use of SSBCI funds. Additionally, Treasury will publish an evaluation of the first five years of the SSBCI program.

In FY 2017, Treasury proposes to administer a new SSBCI authorization of \$1.5 billion awarded in two parts: \$1 billion to be awarded on a competitive basis to states for applications that demonstrate the greatest potential impact and \$500 million allocated to states according to a need-based formula. Potential categories being considered for competitive scoring include a state's ability to target local market needs, promote inclusion, attract private capital for start-up and scale-up businesses, strengthen regional entrepreneurial ecosystems, and evaluate results, among other factors. During FY 2017, SSBCI would administer the formula award process and initiate the competitive award process. Treasury estimates outlays to states of \$212 million in FY 2017 and remaining outlays under Round 2 occurring between FY 2018 and FY 2021.

Outlays for SSBCI Round 1 and 2*

	Actual					Estimated						Total
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
Round 1 Outlays	366	187	364	229	221	80	-	-				1,447
Round 2 Outlays	-	-	-	-	-	-	212	571	235	312	130	1,460
Total	366	187	364	229	221	80	212	571	235	312	130	2,907

*Does not include outlays for Treasury administrative expenses.

Office of the Inspector General (OIG) Activities

In FY 2017, OIG will continue to provide audit and investigative oversight of SSBCI. The authorizing legislation directs OIG to audit the use of SSBCI funds by participating states so that Treasury can recoup any recklessly or intentionally misused funds identified by such audits.

The FY 2017 budget request will support 11 OIG employees through a reimbursable agreement to perform audits of the use of SSBCI funds. OIG plans to audit both how the states are carrying out their oversight responsibilities and whether the institutions and businesses participating in the state programs funded by SSBCI are in compliance with loan-use restrictions and requirements. OIG is expecting to continue to perform a significant number of audits during FY 2017 as states increase their use of funds and request additional disbursements from Treasury for Round one, and if adopted, for Round two.

Section 2 – Budget Adjustments and Appropriations Language

2.1 – Budget Adjustments Table

Dollars in Thousands

State Small Business Credit Initiative	FTE	Amount
FY 2016 Estimate	9	\$6,703
Changes to Base		
Maintaining Current Levels (MCLs)	0	\$107
Pay-Raise	0	\$15
Pay Annualization	0	\$5
Non-Pay	0	\$87
Subtotal Changes to Base	0	\$107
Total FY 2017 Base	9	\$6,810
Program Changes		
Program Decreases	0	(\$483)
Travel and Contract Support	0	(\$483)
Subtotal Program Changes	0	(\$483)
Total FY 2017 Request	9	\$6,327

2A – Budget Increases and Decreases Description

Adjustments to Estimate..... +\$617,000 / +0 FTE

The increase to the FY 2016 estimate is due to OIG audit responsibilities, SSBCI staffing through FY 2016 to ensure a proper wind-down, and the resources needed to pay for the development and production of the final program report.

Maintaining Current Levels (MCLs) +\$107,000 / +0 FTE

Pay-Raise +\$15,000 / +0 FTE

Funds are required for the proposed January 2017 pay-raise.

Pay Annualization +\$5,000 / +0 FTE

Funds are required for annualization of the January 2016 pay-raise.

Non-Pay +\$87,000 / +0 FTE

Funds are required for non-labor costs such as travel, contracts, rent, and equipment.

Program Decreases -\$483,000 / -0 FTE

Travel and Contract Support -\$483,000 / +0 FTE

Travel and contract support related to state technical assistance will decrease as the funding allocated to the states and municipalities becomes fully expended.

2.2 – Operating Levels Table

Dollars in thousands

State Small Business Credit Initiative Object Classification	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
11.1 - Full-time permanent	1,103	1,108	1,179
11.9 - Personnel Compensation (Total)	1,103	1,108	1,179
12.0 - Personnel benefits	360	394	355
Total Personnel and Compensation Benefits	\$1,463	\$1,502	\$1,534
21.0 - Travel and transportation of persons	45	125	63
23.1 - Rental payments to GSA	274	214	214
23.3 - Communications, Utilities, & Misc Charges	3	0	0
25.1 - Advisory and assistance services	2,367	1,250	853
25.2 - Other services from non-Federal sources	2	0	0
25.3 - Other purchases of goods & serv frm Govt accounts	2,193	3,582	3,633
26.0 - Supplies and materials	5	30	30
31.0 - Equipment	1	0	0
Total Non-Personnel	\$4,890	\$5,201	\$4,793
Total Budgetary Resources	\$6,353	\$6,703	\$6,327
Budget Activities:			
SSBCI Program	0	0	0
SSBCI Administration	6,353	6,703	6,327
Total Budgetary Resources	\$6,353	\$6,703	\$6,327
FTE	9	9	9

2B – Appropriations Language and Explanation of Changes

SSBCI does not receive a discretionary appropriation from Congress. Therefore, no appropriations language is proposed.

2C – Legislative Proposals

Treasury recommends new legislation authorizing a \$1.5 billion extension of SSBCI. Treasury will competitively award \$1 billion to states best able to target local market needs, promote inclusion, attract private capital for start-up and scale-up businesses, strengthen regional entrepreneurial ecosystems, and evaluate results among other factors. An additional \$500 million will be allocated to states according to a need-based formula.

Justification

SSBCI effectively supports state-sponsored public-private partnerships to increase lending and investment to small businesses and manufacturers. SSBCI is already achieving results: the first \$864 million in program expenditures has already supported loans and investments of \$6.4 billion supporting over 12,400 private sector loans or investments to small businesses across the country—creating or saving more than 140,000 American jobs, as reported by the small businesses who received the loans and investments. The FY 2017 budget request proposes to improve the targeting of SSBCI funding through competitive awards. A second round of SSBCI funding would also increase the impact of states' newly developed relationships with lenders and investors from the program's first round and would solidify a role for state economic development agencies which are highly responsive to capital needs in local markets. Further, because an extended program would build on the successes of newly created programs or legacy programs that were restarted with SSBCI funding, Treasury estimates that it would outlay funds at a faster rate than under the first round of funding.

Section 3 – Budget and Performance Plan

3A – State Small Business Credit Initiative Program

(\$0 from mandatory appropriations):

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the “Act”). Section 3003 of the Act authorized and directed the Secretary of the Treasury to establish a seven-year SSBCI, which was funded with \$1.5 billion to support state programs that support lending to small businesses and small manufacturers. SSBCI supports new small business lending and investment through innovative state and local programs that help entrepreneurs expand their businesses and create new jobs.

Under SSBCI, participating states use the federal funds for programs that leverage private lending to help finance small businesses and manufacturers that are creditworthy but are not getting the loans they need to expand and create jobs. SSBCI allows states to build on successful models for state small business programs, including collateral support programs (CAPs), loan guarantee programs, loan participation programs, and venture capital programs. Existing and new state programs are eligible for support under SSBCI.

By the end of FY 2015, states reported expending, obligating, or transferring over \$1.24 billion in SSBCI funds. As of September 30, 2015, Treasury had disbursed over \$1.36 billion, or 94 percent, of allocations to states. SSBCI estimates disbursing cumulative totals of approximately \$1.44 billion by the end of FY 2016, as states request disbursement of their approved allocations under the program.

In FY 2017, Treasury will continue to monitor the performance of state programs and compliance with program rules. Treasury will collect the final annual report from states for the year ending December 31, 2016, and will assess performance targets for the seven-year program. Additionally, Treasury will publish an interim evaluation of the SSBCI program.

Treasury proposes a new SSBCI authorization of \$1.5 billion. In FY 2017, Treasury will process applications for need-based awards and will prepare and release the application for competitive awards.

3.1.1 – State Small Business Credit Initiative Program Budget and Performance Plan

Dollars in Thousands

SSBCI Program Budget Activity

Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Mandatory Resources	\$0	\$1,258,900	\$188,384	\$13,198	\$103	\$0	\$0	\$0
Budget Activity Total	\$0	\$1,258,900	\$188,384	\$13,198	\$103	\$0	\$0	\$0

Performance Measures	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Target	Target	Target
Cumulative Value of SSBCI Funds Transferred to States (thousands)	\$917,000	\$1,146,000	\$1,367,000	\$1,367,000	\$1,441,000	\$0
State Subsequent Disbursement Requests Approved or Denied within 90 days (%)	100	96	93	90	90	90
State Requests to Modify Allocation Agreements Approved or Denied within 90 days (%)	90	95	90	90	90	90
Receive State Quarterly Reports within five business days of reporting deadline (%)	93	95	96	90	90	90

Key: DISC – Discontinued

As a source of funding for credit support and investment programs that increase access to capital for small businesses, SSBCI supports the following strategic objective of Strategic Goal #1, to promote domestic economic growth and stability while continuing reforms of the financial system:

- Objective 1.1: Promote savings and increased access to credit and affordable housing options.

SSBCI set three performance goals to measure the efficiency of program operations where Treasury can expressly influence the outcomes. The first goal is that Treasury approves or denies 90 percent of states' requests for a subsequent disbursement of funds within 90 days of receipt of a formal submission. In FY 2015, SSBCI processed 93 percent of requests within 90 days, excluding requests that were delayed due to ongoing or unresolved audits by OIG. Similarly, SSBCI aims to process 90 percent of all requests by states to modify the Allocation Agreement with Treasury within 90 days. In FY 2015, SSBCI processed 100 percent of requests within 90 days. Finally, SSBCI aims to collect 90 percent of all quarterly reports within five days of the deadline to report. In FY 2015, SSBCI received 96 percent of quarterly reports from states within five business days of the reporting deadline.

Additionally, Treasury established performance indicators related to cumulative state program activity as of December 31, 2016, the date of the final annual report from participating states. These indicators are a response to a GAO audit. The first indicator is that Treasury disburses 98 percent of funds available to states by December 31, 2016. As of September 30, 2015, Treasury had disbursed 93 percent of available funds. The second indicator is that states achieve a cumulative private sector leverage ratio of 10:1 by December 31, 2016. As of December 31, 2014, states had achieved a cumulative leverage ratio of 7:36:1. The third indicator is that 98 percent of all Other Credit Support Programs (OCSPs) operated by states target borrowers or investees with fewer than 500 employees. As of December 31, 2014, 100 percent of OCSPs met this target on an interim basis. The fourth indicator is that

98 percent of OCSOs make loans or investments with an average principal amount of \$5 million or less by December 31, 2016. As of December 31, 2014, 97 percent of OCSOs met this target on an interim basis.

Performance Indicators (source: Annual Reports)	2012 Actual	2013 Actual	2014 Actual	2015* Actual	2016 Target
New financing leverage	6.58:1	6.95:1	7.36:1	N/A	10:1
Disbursement of funds available to states (% of total)	40	69	87	N/A	98
Percentage of OCSOs that target borrowers or investees with 500 or fewer employees	100	100	100	N/A	98
Percentage of OCSOs that make loans with an average principal amount of \$5 million or less (source: Annual Reports)	93	93	97	N/A	98

Key: DISC – Discontinued

*As of the date of this request, CY 2015 Actuals are not available. The performance indicators are related to cumulative state program activity as of December 31, 2016, the date of the final annual report from participating states.

3B – State Small Business Credit Initiative Administration

(\$6,327,000 from mandatory appropriations):

The authority to pay administrative expenses is provided by Section 3009 (b) of the Act, which appropriates \$1.5 billion to carry out the state small business credit program “including to pay reasonable costs of administering the program.” Administrative expenses include the costs of government employee salaries, contract support, and reimbursement to the Treasury Office of the Inspector General for program audits.

3.1.2 – State Small Business Credit Initiative Administration Budget and Performance Plan

Dollars in Thousands

SSBCI Administration Budget Activity								
Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Mandatory Resources	\$0	\$5,393	\$4,746	\$6,431	\$7,731	\$6,353	\$6,703	\$6,327
Budget Activity Total	\$0	\$5,393	\$4,746	\$6,431	\$7,731	\$6,353	\$6,703	\$6,327

Section 4 – Supplemental Information

4A – Summary of Capital Investments

SSBCI uses Departmental Office's (DO) systems and is part of DO's capital investment strategy.

A summary of capital investment resources, including major information technology and non-information technology investments, can be viewed and downloaded at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

Housing & Government Sponsored Enterprises

FY 2017
President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

To provide stability to financial markets and promote mortgage affordability while also protecting the taxpayer, Treasury implemented four programs with respect to two Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, as well as the Federal Home Loan Banks (FHLBs). The Senior Preferred Stock Purchase Agreements (PSPAs) with Fannie Mae and Freddie Mac are currently active, while Treasury completed the orderly disposition of the Mortgage-Backed Securities (MBS) Purchase Program in March 2012.

In addition to these programs, Treasury purchased securities of Fannie Mae and Freddie Mac backed by new housing bonds issued by Housing Finance Agencies (HFAs), through the New Issue Bond Program (NIBP). Treasury also purchased participation interests in temporary credit and liquidity facilities, which were obligations of Fannie Mae and Freddie Mac as part of the Temporary Credit and Liquidity Program (TCLP) to provide backstop liquidity and credit for state and local HFAs. The facilities backstopped by Treasury were terminated in July 2015, thereby ending the TCLP. Together, the NIBP and the TCLP comprised the Housing Finance Agencies Initiative (HFA Initiative).

1.1 – Program Account Summary

Dollars in Millions

	FY 2015	FY 2016	FY 2017	FY 2016 to FY 2017	
	Estimated	Estimated	Estimated	\$ Change	% Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Obligations					
Senior Preferred Stock Purchase Agreements Account	0	0	0	0	0.00%
GSE MBS Purchase Program Account	177	3	3	0	0.00%
Total Obligations	\$177	\$3	\$3	0	0.00%
Budget Authority					
Senior Preferred Stock Purchase Agreements Account*	258,050	258,050	258,050	0	0.00%
GSE MBS Purchase Program Account	178	3	3	0	0.00%
Total Budget Authority	258,228	258,053	258,053	0	0.00%
Outlays					
Senior Preferred Stock Purchase Agreements Account	0	0	0	0	0.00%
GSE MBS Purchase Program Account	177	3	3	0	0.00%
Total Outlays	\$177	\$3	\$3	0	0.00%

*The \$258 billion is not new budget authority. It is unobligated balances.

1.2 – Financing Account Summary

Dollars in Millions

	FY 2015	FY 2016	FY 2017	FY 2016 to FY 2017	
	Actual	Estimated	Estimated	\$ Change	\$ Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
State HFA NIPB & TCLP					
Obligations	291	276	242	-34	-12.32%
Collections	1315	816	624	-192	-23.53%
Financing Authority (net)	-899	-539	-382	157	-29.13%
Financing Disbursements (net)	-1024	-539	-382	157	-29.13%

1.3 – Mandatory Receipts Summary

Dollars in Millions	FY 2015	FY 2016	FY 2017	FY 2016 to FY 2017	
	Actual	Estimated	Estimated	\$ Change	% Change
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Senior Preferred Dividend Payments from Fannie/Freddie					
Receipts	20,370	16,016	18,671	2,654	16.57%
Additional G Fee Collected Per Temporary Payroll Tax Cut Continuation Act					
Receipts	2,363	2,741	3,032	291	10.62%

1B – Vision, Priorities and Context

FY 2017 Priorities:

- To provide stability to financial markets.
- To prevent disruptions to the availability of mortgage credit for American homebuyers.
- To maintain investor confidence in the GSEs.

Senior Preferred Stock Purchase Agreements (PSPAs)

Section 1117 of the Housing and Economic Recovery Act of 2008 (HERA) granted temporary authority for the Treasury to purchase any obligations and other securities issued by Fannie Mae, Freddie Mac, and any Federal Home Loan Bank on such terms and conditions and amounts as the Treasury may determine. On September 7, 2008, the Secretary of the Treasury made the determination that the Treasury's exercise of its purchase authority under HERA was necessary to provide stability to the financial markets, prevent disruptions in the availability of mortgage finance, and protect taxpayers.

Vision: The function of the PSPAs is to enhance market stability by providing holders of Fannie Mae and Freddie Mac securities with confidence that the GSEs will remain solvent. This commitment is also designed to eliminate any mandatory triggering of receivership of the GSEs under HERA. To this end, the PSPAs are an effective means of averting systemic risk while at the same time protecting the taxpayer.

Priorities: Market stability is central to the mission of the Treasury. In this regard, the following priorities have been identified for mission success:

- To provide stability to the GSE securities market.
- To maintain the solvency of the GSEs.

Program History: During FY 2008, the Department of the Treasury entered into the PSPAs with Fannie Mae and Freddie Mac. The PSPAs were indefinite in duration and had a funding commitment cap of \$100 billion each. These agreements were amended in May 2009 to provide a funding commitment cap of \$200 billion each, and further amended in December 2009, to replace the fixed-dollar amount funding commitment cap with a formulaic cap that ended December 31, 2012, at which time the maximum amount became fixed. Based on the financial results reported by Fannie Mae and Freddie Mac as of December 31, 2012 and under the terms of the PSPAs, the cumulative funding commitment cap for Fannie Mae was set at \$233.7 billion and the cumulative funding commitment cap for Freddie Mac was set at \$211.8 billion. In

exchange for entering into these agreements with these two GSEs, Treasury immediately received \$1 billion of senior preferred stock in each GSE and warrants for the purchase of common stock of each GSE representing 79.9 percent of the common stock of each GSE on a fully-diluted basis at a nominal price. No taxpayer money was spent to receive the senior preferred stock.

The PSPAs were further amended in August 2012. The changes included: replacing the fixed 10 percent dividend with a quarterly payment based on the net worth of the GSEs; increasing the rate at which the GSEs must reduce their retained investment portfolio balance to 15 percent in place of 10 percent per year; and requiring each GSE to submit to Treasury an annual risk management plan that details their respective strategies for reducing their enterprise-wide risk profile. The change to the dividend payment structure eliminated the need for the GSEs to make PSPA draws from Treasury after making dividend payments to Treasury. Since the original dividend provision threatened to erode the amount of the Treasury commitment available to the GSEs, this amendment helps to maintain the stability of the housing market by preserving the continued solvency of the GSEs.

Program Outlook: Under the PSPAs, Treasury helped maintain the solvency of the GSEs with its \$187.5 billion cumulative investment as of December 31, 2015. Treasury forecasts that it will not make any payments under the PSPAs in FY 2016. Treasury forecasts that it will receive approximately \$16 billion in dividends in FY 2016.

Housing Finance Agencies Initiative

State and local Housing Finance Agencies (collectively, “HFAs”) are agencies or authorities created by state law that are charged with providing affordable mortgage financing for low- and moderate-income home buyers and providing financing for multifamily projects for low- and very-low income renters. In addition, HFAs provide homeownership education and allocate low income housing tax credits.

HFAs have historically played a central role in providing a safe, sustainable path to homeownership. Through the course of the housing downturn, the HFAs experienced a number of challenges including a lack of liquidity support for existing variable rate demand bonds, losses on mortgages, and downgrades of re-insurance providers. Historically, HFAs have funded their activities by issuing tax-exempt mortgage revenue bonds and keeping the associated mortgage collateral produced on HFA balance sheets. The bond performance of HFAs has generally been strong. However, due to the uncertainties and strain throughout the housing sector during the financial crisis and the widening of spreads in the tax-exempt market, HFAs experienced challenges in issuing new bonds to fund new mortgage lending.

To provide stability to the financial markets and promote mortgage affordability while at the same time protecting the taxpayer, Treasury implemented two programs in December 2009 as part of the Housing Finance Agencies Initiative – the New Issue Bond Purchase Program (NIBP) and the Temporary Credit and Liquidity Program (TCLP). The TCLP ended in July 2015.

New Issue Bond Program

The NIBP provided temporary financing for HFAs to issue new housing bonds. Treasury purchased securities of Fannie Mae and Freddie Mac backed by HFA housing bonds, with the funding placed in escrow to be converted into new mortgages prior to the end of calendar year 2012. This allowed the HFAs to issue new housing bonds consistent with what they would ordinarily have been able to issue with the allocations provided them by Congress absent the challenges in housing and related markets. The program supported over one hundred thirty thousand new mortgages to low- and moderate-income homebuyers, as well as forty thousand new rental-housing units for working families.

Vision: The NIBP helped provide stability to financial markets and prevented disruptions in mortgage finance availability by providing a temporary supplemental market for newly issued HFA housing bonds. The NIBP enabled HFAs to keep their lending programs active while they adapt to changing market conditions. The program supported the availability of mortgage credit and affordable rental properties for low- and moderate-income homebuyers and renters. Facilitating supply and demand in the housing markets helped to stabilize the HFAs.

Priority:

- To protect taxpayers through the administration of program receipts.

Program History: In December 2009, the Department of the Treasury entered into a Memorandum of Understanding with Fannie Mae, Freddie Mac and the Federal Housing Finance Agency (FHFA) outlining the obligations of each party with regard to the HFA Initiative transactions. Under the terms of the NIBP, Treasury purchased Fannie Mae and Freddie Mac securities backed by housing bonds issued by HFAs, with the funding placed in escrow pending the origination of new mortgages. Use of escrowed proceeds to finance new mortgages originally had to be completed by December 31, 2010; however continued disruptions in the HFA bond market led to extensions. After two one-year extensions, HFAs had a deadline of December 31, 2012 to use NIBP funds.

Program Outlook: Treasury purchased approximately \$15.3 billion in securities under its authority for this program in FY 2010. As of the December 31, 2012 deadline, HFAs had used \$13.3 billion to finance single and multi-family mortgages, and the remainder had been returned to Treasury. Going forward, Treasury will receive monthly payments of principal, interest and fees until all NIBP bonds are paid down or refunded.

1C - Credit Reform Account Descriptions

GSE Mortgage-Backed Securities Purchase Program Account: The GSE Mortgage-Backed Securities Purchase Program Account records the subsidy costs associated with the GSE MBS Purchase Program and the HFA Initiative, which are treated as direct loans for budget execution. The subsidy amounts are estimated on a present value basis.

HFA Financing Account: As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from the Treasury HFA Initiative programs. The amounts in the account are a means of financing and are not included in the budget totals.

Section 2 – Budget Adjustments and Appropriation Language

2A- Budget Increases and Decreases Description

Not applicable for the Housing Government Sponsored Enterprises.

2B – Appropriations Language and Explanation of Changes

The Housing Government Sponsored Enterprise Programs and the Housing Finance Agencies Initiative Programs do not receive any discretionary appropriation authority from the Congress. Therefore, no appropriations language is proposed.

2C – Legislative Proposals

There are no current proposals for amending the enacting legislation.

Section 3 – Budget and Performance Plan

3A – Senior Preferred Stock Purchase Agreements (PSPAs)

(No funding):

The PSPAs instill confidence in investors that Fannie Mae and Freddie Mac will remain solvent entities critical to the functioning of the housing and mortgage markets. Treasury entered into a PSPA with each GSE to enable each enterprise to maintain a positive net worth.

The PSPAs enhance market stability by providing confidence that the GSEs would remain solvent to holders of Fannie Mae and Freddie Mac securities, which, in turn, leads to increased mortgage affordability. Treasury's commitment through the PSPAs is also designed to prevent triggering mandatory receivership under HERA. To this end, the PSPAs are an effective means of averting systemic risk while at the same time protecting the taxpayer's investment of \$187.5 billion made through December 31, 2015.

In exchange for entering into these agreements with the GSEs, Treasury received \$1 billion of senior preferred stock in each GSE and warrants for the purchase of common stock of each GSE representing 79.9 percent of the common stock of each GSE on a fully diluted basis at a nominal price. The GSEs agreed to pay a dividend to Treasury equal to 10 percent per year of the total amount of funds that Treasury had provided to the GSEs (plus \$1 billion for each GSE).

The dividend provision of each PSPA was amended in August 2012 to support the continued solvency of the GSEs. The amendments further supported the continued flow of mortgage credit and protected the interests of taxpayers. This amendment replaced the fixed 10 percent dividend with a quarterly dividend (if any) based on the positive net worth of the GSEs.

3.1.1 – Senior PSPAs Budget and Performance Report and Plan

Description of Performance:

To ensure the stability of the GSEs, the GSEs make PSPA draws from Treasury at the request of FHFA as necessary for each GSE to maintain a positive net worth. Under the PSPAs, Treasury has helped to ensure the solvency of the GSEs by providing these entities with \$187.5 billion cumulative investment as of December 31, 2015. Through December 31, 2015, the GSEs have paid \$241.2 billion in dividend payments to Treasury.

3B – New Issue Bond Program

(No funding):

The function of the NIBP was to help provide stability to financial markets and prevent disruptions in mortgage finance availability by providing a temporary supplemental market for newly issued HFA housing bonds. By temporarily supplementing private demand for HFA production, the NIBP enabled HFAs to keep their lending programs active while they adapted to changing market conditions. The NIBP supported the availability of mortgage credit and affordable rental properties for low- and moderate-income homebuyers and renters.

Program sized to meet demand - HFAs submitted detailed program participation requests to Treasury. In order to scale back the NIBP requests to an acceptable level that could be recommended for adoption, a methodology was developed and applied to arrive at final

allocation recommendations under the program for HFAs. The allocation methodology was based primarily on the 2008 HERA allocations to HFAs and historical HFA issuance.

Support for both single-family and multi-family bonds: HFAs were able to request that a portion or all of their NIBP allocation be used to issue single or multi-family bonds. The amount of multi-family bond issuance was subject to a cap at the program level.

Protecting Taxpayers: HFAs pay Fannie Mae, Freddie Mac, and Treasury an amount intended to cover both the cost of financing the newly issued bonds as well as a fee designed to cover risk posed by the HFA. Generally speaking, the interest rate on the bond after release from escrow was set to cover Treasury's cost of financing (set at a market-based index rate) plus the additional fee designed to offset the credit risk to the taxpayer.

3.1.2 – New Issue Bond Program Budget and Performance Report and Plan

Description of Performance:

Treasury continues to monitor payments of principal, interest and fees to determine that all amounts due have been paid.

Office of Financial Research

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Section 1 – Purpose

1A – Mission Statement

Promote financial stability by delivering high-quality financial data, standards, and analysis for the Financial Stability Oversight Council (FSOC or Council) and the public.

1.1 – Resource Detail Table

Dollars in thousands

Office of Financial Research	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
Budgetary Resources	Actuals		Estimated		Estimated		\$ Change		% Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Revenue/Offsetting Collections										
Assessments ¹		79,566		99,355		103,336		3,981		4%
Unobligated Balances from Prior Years		70,794		68,644		70,339		1,695		2%
Recoveries		2,205		2,550		2,550		0		0%
Interest		19		34		35		1		3%
Offsetting Collections		7		9		11		2		22%
Restoration of Sequestration Rescission		6,579		5,811		6,758		948		16%
Total Revenue/Offsetting Collections		159,171		176,403		183,030		6,627		4%
Other Resources:										
Data Center	51	17,240	46	24,933	53	26,039	7	1,106	15%	4%
Technology Center	51	30,970	73	28,964	75	35,391	2	6,427	3%	22%
Research and Analysis Center	43	10,396	54	15,446	59	17,156	5	1,710	9%	11%
Operations and Support Services	49	26,110	57	29,962	68	26,184	11	(3,778)	19%	-13%
Total Expenses	194	84,716	230	99,305	255	104,770	25	5,465	11%	6%
Sequestration Rescission		(5,811)		(6,758)		0		6,758		N/A
Net Results		68,644		70,339		78,260		7,920		11%

¹ The OFR is financed through assessments on certain bank holding companies and nonbank financial companies. See Treasury's final rule and interim final rule governing the Assessments process: https://financialresearch.gov/strategy-budget/files/final_rule_interim_final_rule.pdf.

1B – Vision, Priorities, and Context

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) established the Office of Financial Research (OFR or Office) within the Department of the Treasury. In carrying out its mission, the OFR seeks to achieve its vision of a transparent, efficient, and stable financial system. The OFR's work contributes to making informed and comprehensive policies and taking actions that will strengthen the financial system. The Office monitors the financial environment for the emergence of new vulnerabilities and migration of financial activity that could threaten financial stability. Although the OFR was created within Treasury, the work of the OFR is independent from the Council and the Treasury. This independence provides the Office with an objective position to evaluate macroprudential policies, advocate for needed data initiatives, help the regulatory community enhance its peripheral vision, and produce work that was previously beyond the reach of individual regulatory agencies.

In the OFR *Strategic Plan for Fiscal Years 2015–2019*, the OFR established three strategic goals that reflect its primary functions in data and analysis, data standardization, and research.¹ The plan will guide the Office’s work through Fiscal Year (FY) 2019 and will support the decisions made about resources needed to implement those strategies. The three goals are:

1. The OFR is an essential source of data and analysis for monitoring threats to financial stability.

Key objectives of this goal include:

- The OFR’s monitoring tools and analyses are widely used and critical to assessing financial stability.
- Data used to monitor financial stability are comprehensive, reliable, and accessible to policy makers and the public through the OFR.
- Data providers and the public trust, acknowledge, and recognize that OFR data are protected and secure.

2. Standards that improve the quality and utility of financial data are identified and adopted.

Key objectives of this goal include:

- Recognition of the need for standards by policy makers and industry.
- The OFR is the source of expert knowledge needed to develop and implement types and formats of data reported and collected.
- Financial data standards that create efficiencies and facilitate analysis are widely used.

3. Leading edge research improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management.

Key objectives of this goal include:

- The OFR is the recognized center for objective, innovative research on financial stability.
- OFR research is widely cited and used to improve policy making, risk management, financial stability, and the scope and quality of financial data.

The strategic goals also drive the OFR’s research-and-data agenda for FY 2016 and beyond.² The OFR activities and priorities outlined below also support the following Goals and Objectives in the Treasury Department’s *FY 2014–2017 Strategic Plan*:

- Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system
 - Objective 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability
- Goal 5: Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction

¹ See the OFR *Strategic Plan for Fiscal Years 2015–2019*:

<http://financialresearch.gov/strategy-budget/files/Office-of-Financial-Research-Strategic-Plan-2015-2019.pdf>.

² For more information on the 2016 OFR research-and-data agenda, see the OFR 2015 Annual Report to Congress:

<https://financialresearch.gov/annual-reports/files/office-of-financial-research-annual-report-2015.pdf>.

- Objective 5.2: Support effective, data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use and dissemination of information.”³

OFR research priorities include:

- Broadening the market monitoring framework, including continued publication of a Financial Markets Monitor;
- Developing a suite of additional monitors and dashboards to assess and monitor risks in money market funds, hedge funds, and credit default swap markets;
- Publishing descriptions of the methodology behind the Financial Stability Monitor and Financial Stress Index, as well as other publications on significant threats to financial stability;
- Understanding and analyzing the conflicts and complementarities among macroprudential policy tools;
- Developing and executing a research program to examine factors behind market liquidity;
- Developing and executing a research and data program to examine risks in central counterparty clearinghouses;
- Expanding the evaluation of stress tests and other macroprudential policy tools; and
- Publishing research on financial stability, risk management, and related topics.

OFR data priorities include:

- Advocating for continued global implementation of the Legal Entity Identifier (LEI) in regulation and market practice;
- Promoting the use of data standards in derivatives markets, in collaboration with the Commodity Futures Trading Commission;
- Leading or contributing to the development and implementation of new standards for financial data;
- Filling data gaps, particularly in secured funding markets and asset management;
- Collecting data on the repo market, in collaboration with the Federal Reserve;
- Promoting and developing protocols for secure data sharing among regulatory agencies; and
- Creating a prototype financial instrument reference database to promote market transparency.

³ See the Department of the Treasury’s *FY 2014–2017 Strategic Plan* (Goal 1, Objective 1.3 and Goal 5, Objective 5.2): http://www.treasury.gov/about/budget-performance/strategic-plan/Documents/2014-2017_US_TreasuryStrategicPlan.pdf.

Section 2 – Budget Adjustments and Appropriations Language

2.1 – Budget Adjustments Table

Dollars in thousands

Office of Financial Research	FTE	Amount
FY 2016 Estimated	230	\$99,305
Changes to Base:		
Total FY 2016 Base	230	\$99,305
Program Changes		
Program Increases:	25	\$5,465
Personnel	25	\$3,523
Non-Personnel		\$1,942
Total FY 2017 Estimated	255	\$104,770

2A – Budget Increases and Decreases Description

Program Increases.....+ \$5,465,000

Personnel +\$3,523,000 / +25 FTE

The OFR will continue to grow to an anticipated head-count of 275 by the end of FY 2017, translating to 255 FTE that fiscal year.

Non-Personnel +\$1,942,000 / +0 FTE

Routine operational, recurring network, and periodic one-time costs for information technology (IT) and systems are increasing to support the OFR's growth in research, analysis, and work with sensitive or confidential financial data. Additional investments in IT infrastructure, including cybersecurity, will help the Office safeguard its expanded data holdings and provide additional analytic space to support research and analysis.

2.2 – Operating Levels Table

Dollars in thousands

Office of Financial Research		FY 2015	FY 2016	FY 2017
Object Classification		Actual	Estimated	Estimated
11.0	Personnel compensation	29,036	32,082	34,667
12.0	Personnel benefits	9,507	10,565	11,503
Total Personnel Compensation and Benefits		38,543	42,647	46,170
21.0	Travel and transportation of persons	453	829	925
23.1	Rental payments to GSA	3,809	4,375	4,412
23.3	Communication, utilities, and misc charges	2	5	5
24.0	Printing and reproduction	31	35	37
25.1	Advisory and assistance services	8,416	12,695	11,835
25.2	Other services from non-Federal sources	600	1,525	1,750
25.3	Other services from Federal sources	16,017	14,975	15,000
26.0	Supplies and materials	8,060	5,550	5,700
31.0	Equipment	8,785	16,669	18,936
Total Non-Personnel		46,173	56,658	58,600
Total Budgetary Resources		\$84,716	\$99,305	\$104,770
Budget Activities:				
	Data Center	17,240	24,933	26,039
	Technology Center	30,970	28,964	35,391
	Research and Analysis Center	10,396	15,446	17,156
	Operations and Support Services	26,110	29,962	26,184
Total Budgetary Resources		\$84,716	\$99,305	\$104,770
FTE		194	230	255

^A Personnel compensation and benefits include direct OFR staff members only. Object Classification 25, “Other contractual services,” and expenditures of “Operations and Support Services” include reimbursable support received from Treasury’s Departmental Offices; personnel benefits services from the Office of the Comptroller of the Currency; and services from Treasury’s Bureau of the Fiscal Service Administrative Resource Center, including human resource services, procurement services, travel, and financial management services.

2B – Appropriations Language and Explanation of Changes

The OFR receives no appropriations from Congress.

2C – Legislative Proposals

The OFR has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Data Center

(\$26,039,000 from Assessments):

The Dodd-Frank Act requires the Data Center, on behalf of the Council, to collect, validate, and maintain all data necessary to carry out the duties of the OFR. Under this mandate, the Data Center provides data services to the Research and Analysis Center, Council member agencies, and others to increase efficiency in data acquisition and management; reduce redundant reporting requirements across the regulatory system (including through more effective data-sharing arrangements); and to ensure the security of sensitive data.

Data Standards

One of the OFR's strategic goals is to identify and adopt standards that improve the quality and utility of financial data. Standards for financial data will benefit regulators and financial market participants by making data aggregation easier, improving analysis, and reducing costs associated with data collection. The OFR monitors progress through the following key performance indicators:

- Number of LEIs issued cumulatively in the United States and internationally – This indicator tracks the progress over time in the industry use of the LEI.
- Number of times that financial data standards are incorporated into rules and regulations – This data point serves as an indicator of regulators' awareness of the importance of data standards and the extent to which data standards are being adopted in rules and regulations.

3.1.1 – Data Center Budget and Performance Plan

Dollars in thousands

Resource Level	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$5,260	\$19,303	\$37,619	\$46,940	\$27,584	\$24,933	\$26,039
Budget Activity Total	\$5,260	\$19,303	\$37,619	\$46,940	\$27,584	\$24,933	\$26,039

Measure	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Target	Target
Number of LEIs Issued Cumulatively in the United States and Internationally	N/A	N/A	N/A	N/A	395,861	I	I
Number of Times that Financial Data Standards are Incorporated in Rules and Regulations	N/A	N/A	N/A	N/A	2	I	I

Key: DISC - Discontinued

I – Indicator: a metric that has no established target and is used for contextual purposes only; a direction for improvement may be associated with an indicator, but not a specific target;

3B – Technology Center

(\$35,391,000 from Assessments):

The Technology Center provides mission-critical analytic services to support the OFR's work with complex, sensitive financial data and the Office's expanding research and analysis activity. In addition, the Technology Center is responsible for safeguarding data and systems, and managing all IT capabilities within the OFR.

These responsibilities include computing and analytic platforms, software, telecommunications, client applications, and office automation solutions.

3.1.2 – Technology Center Budget and Performance Plan

Dollars in thousands

Resource Level	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Expenses/Obligations	\$0	\$0	\$0	\$0	\$30,970	\$28,964	\$35,391
Budget Activity Total	\$0	\$0	\$0	\$0	\$30,407	\$28,964	\$35,391

3C – Research and Analysis Center

(\$17,156,000 from Assessments):

Through its Working Paper Series, Brief Series, Staff Discussion Papers Series, and OFR annual reports, the OFR publishes results of its analysis to be transparent in its operations and promote public understanding of threats to financial stability. In addition, the OFR’s Research Seminar Series allows the OFR’s research staff opportunities to collaborate with external experts and seek feedback from them. The OFR is establishing forums and networks to bring together experts from within and outside the regulatory system. Additionally, the OFR partners with the National Science Foundation to fund grants that support innovative research on approaches to computing and information processing to identify and analyze risks to the financial system.

Leading Edge Research and Monitoring Threats to Financial Stability

The Research and Analysis Center contributes to the achievement of two of the OFR’s three strategic goals: (1) Leading edge research improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management; and (2) The OFR is an essential source of data and analysis for monitoring threats to financial stability. The OFR has one measure linked to the achievement of each of these two goals:

- Number of research and analysis publications (working papers, briefs, staff discussion papers, and reports) made public – This measure tracks the OFR’s progress in increasing the size of its research portfolio available to policy makers, regulators, industry, academics, and the public. The measure includes a wide range of published research products, from the OFR’s comprehensive annual reports to the more frequently issued working papers. This measure was formerly called, “Number of research and analysis products made public.”
- Number of monitor editions, policy analyses, and dashboards produced for monitoring threats to financial stability – This measure tracks the OFR’s output of monitoring tools and other analyses of threats to financial stability. It includes tools and information made available to the general public, as well as those produced for the Council or Council member agencies.

3.1.3 – Research and Analysis Center Budget and Performance Plan

Dollars in thousands

Resource level	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Expenses/Obligations	\$1,069	\$3,398	\$4,733	\$7,700	\$10,396	\$15,446	\$17,156
Budget Activity Total	\$1,069	\$3,398	\$4,733	\$7,700	\$10,396	\$15,446	\$17,156

Measure	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2017 Target
Number of Research and Analysis Publications (working papers, briefs, staff discussion papers, and reports) Made Public	N/A	N/A	10	11	34	25	35
Number of Monitor Editions, Policy Analyses, and Dashboards Produced for Monitoring Threats to Financial Stability	N/A	N/A	N/A	N/A	21	12	15

Key: DISC – Discontinued

“Research and Analysis Center” includes only staffing, outside work arrangements, and contracting related to annual report production. Costs associated with data, information systems, and analytical tools are under the Data Center.

3D – Operations and Support Services

(\$26,184,000 from Assessments):

The category “Operations and Support Services” contains the activities of the Director’s Office, Operations, External Affairs, and Chief Counsel. The category includes support provided through a shared services model and reimbursable arrangements with Treasury’s Departmental Offices; personnel benefits services from the Office of the Comptroller of the Currency; and services from Treasury’s Bureau of the Fiscal Service Administrative Resource Center, including services related to human resources, procurement, travel, and financial management.

3.1.4 – Operations and Support Services Budget and Performance Plan

Dollars in thousands

Resource Level	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Expenses/Obligations	\$4,700	\$16,873	\$22,953	\$28,626	\$26,110	\$29,962	\$26,184
Budget Activity Total	\$4,700	\$16,873	\$22,953	\$28,626	\$26,110	\$29,962	\$26,184

The OFR assesses its performance measures annually and revises them, if appropriate, to ensure their continued usefulness for management decision-making and improved results.

Financial Stability Oversight Council

FY 2017
President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

To identify risks to the financial stability of the United States, to promote market discipline, and to respond to emerging threats to the stability of the U.S. financial system.

1.1 – Resource Detail Table

Dollars in thousands

Financial Stability Oversight Council	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
Budgetary Resources	Actual		Estimated		Estimated		\$ Change		% Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Revenue/Offsetting Collections										
Assessments		12,953		15,025		19,401		4,376		2.91%
Unobligated Balances from Prior Years		11,524		11,099		11,801		702		6.32%
Recoveries		359		450		450		0		0%
Interest on Investments		3		6		7		1		16.67%
Restoration of Sequestration Rescission		1,071		946		1,022		76		8.03%
Total Revenue/Offsetting Collections		25,909		27,526		32,681		5,155		18.73%
Other Resources:										
FSOC	22	6,236	34	8,133	36	8,519	2	386	5.88%	4.75%
FDIC Payments		7,628		6,570		9,500		2,930		44.60%
Total Expenses	22	13,864	34	14,703	36	18,019	2	3,316	5.88%	22.55%
Sequestration Rescission		(946)		(1,022)		0		1,022		N/A
Net Results		11,099		11,801		14,662		2,861		24.24%

1B – Vision, Priorities, and Context

Prior to the 2008 financial crisis, the existing financial regulatory framework focused narrowly on individual institutions and markets, which allowed supervisory gaps to grow and regulatory inconsistencies to emerge – in turn, allowing arbitrage and weakened standards. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) established the Financial Stability Oversight Council (Council) with a clear statutory mandate that created for the first time collective accountability for identifying and responding to emerging threats to financial stability. The Council is chaired by the Secretary of the Treasury and consists of 10 voting members and five nonvoting members. The Council brings together the expertise of the federal financial regulators, an insurance expert appointed by the President, and state regulators.

The Council’s three primary purposes under the Dodd-Frank Act are:

1. To identify risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace.
2. To promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the U.S. government will shield them from losses in the event of failure.
3. To respond to emerging threats to the stability of the U.S. financial system.

The Council has important new authorities under the Dodd-Frank Act to:

- Collect information across the financial system: The Council has a duty to collect information across the financial system and to direct the Office of Financial Research (OFR) to collect additional information if necessary to assess risks to the financial system. The collection and analysis of that information aids the Council and the OFR in their shared goal of filling gaps in our knowledge so that regulators will be better equipped to identify risks and emerging threats across the financial system.
- Designate nonbank financial companies for consolidated supervision: Before the financial crisis, some of the firms which posed the greatest risk to the financial system were not subject to adequate consolidated supervision. The Dodd-Frank Act gives the Council the authority to require consolidated supervision of nonbank financial companies, regardless of their corporate form.
- Designate financial market utilities and payment, clearing, or settlement activities as systemically important: The Dodd-Frank Act authorizes the Council to designate certain financial market utilities and payment, clearing, or settlement activities as systemically important, requiring them to meet prescribed risk management standards and submit to heightened oversight by the Federal Reserve, the Securities and Exchange Commission, or the Commodity Futures Trading Commission.
- Recommend stricter standards: The Council has the authority to recommend stricter standards for large, interconnected bank holding companies and nonbank financial companies designated by the Council for consolidated supervision. Moreover, if the Council determines that certain financial practices or activities create risks for U.S. financial markets, the Council may make recommendations to the relevant primary financial regulatory agencies to apply new or heightened standards and safeguards.
- Limit the activities of firms that pose a “grave threat” to financial stability: The Council has a significant role in determining whether action should be taken to break up a firm that poses a “grave threat” to the financial stability of the United States.
- Facilitate regulatory coordination: The Council has a statutory duty to facilitate information sharing and coordination among the member agencies regarding domestic financial services policy development, rulemaking, examinations, reporting requirements, and enforcement actions. Through this role, the Council helps eliminate gaps and weaknesses within the regulatory structure, to promote a safer and more stable financial system.

Over the last year, the Council has continued to make progress in fulfilling its mandate. The Council continued to evaluate whether to designate certain nonbank financial companies for Federal Reserve supervision and enhanced prudential standards, and conducted annual reviews for each of the three companies designated in 2013. In addition, the Council continued to monitor the eight financial market utilities (FMUs) that were designated as systemically important by the Council in 2012. The Council also continued to identify and monitor potential risks to U.S. financial stability, including looking at potential risks related to cybersecurity, market structure, and central counterparties. The Council also continued to analyze whether and how asset management products and activities could pose risks to U.S. financial stability, including by seeking public comment on

potential risks. Finally, the Council fulfilled explicit statutory requirements, including the completion of its fifth annual report to Congress; and served as a forum for discussion and coordination among the member agencies implementing the Dodd-Frank Act. For example, in May, the Council established a new interagency Regulation and Resolution Committee to facilitate information sharing and coordination regarding heightened prudential standards, resolution, and other areas of financial services policy development.

Over the next year, the Council will continue to evaluate nonbank financial companies for potential designation for Federal Reserve supervision and enhanced prudential standards; consider whether to designate additional FMUs as systemically important; monitor the financial system for emerging risks; and facilitate interagency cooperation to identify and analyze potential emerging threats. The financial reforms in the Dodd-Frank Act are designed to create a more resilient financial system that is better able to absorb a wide range of shocks, whether they originate within the financial system, outside it, or a combination of the two. Regulators are making progress in implementing the Dodd-Frank Act in a consistent and coordinated manner, and the reform effort has proceeded along four broad dimensions: strengthening the safety and soundness of core financial institutions; making financial markets more resilient and transparent; implementing new authorities to resolve large, complex financial institutions; and enhancing investor and consumer protections. The Council will continue to facilitate interagency coordination and information sharing with respect to various regulatory initiatives.

The Council is required by the Dodd-Frank Act to convene no less than quarterly, but in practice the Council has convened on a more frequent basis to share information on key financial developments, coordinate on regulatory implementation, and monitor progress on recommendations from the Council's annual reports. The Council will continue to remain focused on both identifying near-term threats and addressing structural vulnerabilities in the financial system. The Council continues to be committed to providing transparency regarding its decisions and has provided a significant amount of information about its activities to the public. As part of its effort, the Council conducts regular open meetings, publicly releases meeting agendas and minutes, issues annual reports that detail the Council's views on potential risks in the financial system, and solicits public input on both the rules governing how the Council conducts its business and the substantive issues it considers.

The Council is an executive agency of government and is not an office or bureau of the Department of the Treasury. However, under the Dodd-Frank Act, the Council's expenses are considered expenses of the OFR, an office within the Department of the Treasury.

Federal Deposit Insurance Corporation (FDIC) Payments

Section 210(n)(10) of the Dodd-Frank Act provides that certain reasonable implementation expenses of the FDIC incurred after the enactment of the Dodd-Frank Act shall be treated as expenses of the Council. The FDIC must periodically submit requests for reimbursement for implementation expenses to the Chairperson of the Council, who shall arrange for prompt reimbursement to the FDIC of reasonable implementation expenses. The expenses estimated are for rule writing and resolution planning consistent with the FDIC's implementation of its responsibilities under Title II of the Dodd-Frank Act.

The Council's activities support the Treasury Department's FY 2014–2017 Strategic Plan.

Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system. Within Goal 1, the Council supports —

- Objective 1.3: *Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability.*

Section 2 – Budget Adjustments and Appropriations Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Financial Stability Oversight Council	FTE	Amount
FY 2016 Estimated	34	\$14,703
Changes to Base:		
Total FY 2016 Base	34	\$14,703
Program Changes		
Program Increases:	2	\$3,346
<i>Personnel</i>	2	\$416
<i>FDIC Payments</i>		\$2,930
Program Decreases:	0	(\$30)
<i>Non-Personnel</i>		(\$30)
Total FY 2017 Estimated	36	\$18,019

2A – Budget Increases and Decreases Description

Program Increases+\$3,346,000 / +2 FTE

Hiring Plan Adjustment +\$416,000 / +2 FTE

Five additional on-boards will be brought on in FY 2016. Steady state of 36 on-boards should be achieved by the end of FY 2016.

FDIC Payment Adjustment +\$2,930,000 / + 0 FTE

Due to unfilled vacancies in authorized positions that will be filled in FY 2016, and certain planned projects that were deferred to FY 2016, the FDIC is projecting expenses to be billed in FY 2017 of approximately \$9.5 million.

Program Decreases-\$30,000 / +0 FTE

Support Adjustment - \$30,000 / -0 FTE

A small downward adjustment will be realized in FY 2017 due to lower support costs.

2.2 – Operating Levels Table

Dollars in Thousands

Financial Stability Oversight Council		FY 2015	FY 2016	FY 2017
Object Classification		Actual	Estimated	Estimated
11.0	Personnel compensation	2,967	3,439	3,751
12.0	Personnel benefits	776	1,146	1,250
Total Personnel Compensation and Benefits		3,743	4,585	5,001
21.0	Travel and transportation of persons	35	132	135
23.1	Rental payments to GSA	137	152	154
23.3	Communication, utilities, and misc charges	1	9	16
24.0	Printing and reproduction	14	15	17
25.1	Advisory and assistance services	244	300	315
25.2	Other services from non-Federal sources	16	18	21
25.3	Other goods and services from Federal sources ¹	9,309	8,932	11,789
26.0	Supplies and materials	332	485	490
31.0	Equipment	33	75	81
Total Non-Personnel		10,121	10,118	13,018
Total Budgetary Resources		\$13,864	\$14,703	\$18,019
Budget Activities:				
	FSOC	6,236	8,133	8,519
	FDIC Payments	7,628	6,570	9,500
Total Budgetary Resources		\$13,864	\$14,703	\$18,019
FTE		22	34	36

¹ Includes FDIC Payments

2B – Appropriations Language and Explanation of Changes

The FSOC receives no appropriations from Congress.

2C – Legislative Proposals

The FSOC has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Financial Stability Oversight Council

(\$8,519,000 from Assessments):

The Council has a clear statutory mandate to facilitate coordination among financial regulators and identify risks and respond to emerging threats to U.S. financial stability.

There are no measures specified for managing Council performance at this time. Information on the Council is provided on www.treasury.gov, www.fsoc.gov, and member agency websites to provide transparency and accountability.

3.1.1 – Financial Stability Oversight Council Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Expenses/Obligations	\$2,921	\$5,428	\$5,628	\$7,660	\$6,236	\$8,133	\$8,519
Budget Activity Total	\$2,921	\$5,428	\$5,628	\$7,660	\$6,236	\$8,133	\$8,159

3B – Federal Deposit Insurance Corporation Payments

(\$9,500,000 from Assessments):

Section 210(n)(10) of the Dodd-Frank Act provides that certain reasonable implementation expenses of the FDIC incurred after the enactment of the Dodd-Frank Act shall be treated as expenses of the Council. The FDIC must periodically submit requests for reimbursement for implementation expenses to the Chairperson of the Council, who shall arrange for prompt reimbursement to the FDIC of reasonable implementation expenses. The expenses estimated are for rule writing and resolution planning consistent with the FDIC's implementation of its responsibilities under Title II of the Dodd-Frank Act.

3.1.2 – Federal Deposit Insurance Corporation Payments Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Expenses/Obligations	\$0	\$4,716	\$6,327	\$11,592	\$7,628	\$6,570	\$9,500
Budget Activity Total	\$0	\$4,716	\$6,327	\$11,592	\$7,628	\$6,570	\$9,500

Treasury Franchise Fund

FY 2017

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Section 1 – Purpose

1A – Mission Statement

To assist customer agencies in meeting their mission by providing responsive, customer-focused, cost-effective administrative and information technology support services.

1.1 – Resource Detail Table

Dollars in Thousands

Treasury Franchise Fund Budgetary Resources	FY 2015 Actual		FY 2016 Estimated		FY 2017 Estimated		FY 2016 to FY 2017			
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources										
Administrative Services		-		-		3,000		3,000		N/A
Subtotal New Appropriated Resources		-		-		3,000		3,000	N/A	N/A
Revenue/Offsetting Collections										
Reimbursables										
Shared Services Programs (SSP)		218,360		219,794		230,329		10,535		4.79%
Administrative Services		131,746		169,084		165,492		(3,592)		-2.12%
Information Technology Services		166,792		175,404		184,174		8,770		5.00%
Recovery from Prior Years		14,468		25,480		18,760		(6,720)		-26.37%
Unobligated Balances from Prior Years		146,970		171,704		114,272		(57,432)		-33.45%
Total Revenue/Offsetting Collections	0	678,336	0	761,466	0	713,027	0	-48,439	N/A	-6.36%
Expenses/Obligations										
Shared Services Programs (SSP)	251	225,024	286	219,794	287	230,329	1	10,535	0.35%	4.79%
Administrative Services	936	146,282	1,040	153,622	1,102	165,492	62	11,870	5.96%	7.73%
Information Technology Services	459	162,895	459	166,749	499	174,098	40	7,349	8.71%	4.41%
Total Expenses/Obligations	1,646	534,201	1,785	540,165	1,888	569,919	103	29,754	5.77%	5.51%
Net Results		144,135		221,301		143,108		-78,193		-35.33%
Total Budgetary Resources	1,646	534,201	1,785	540,165	1,888	572,919	103	32,754	5.77%	6.06%

1B – Vision, Priorities, and Context

The Treasury Franchise Fund's (TFF) vision is to be a leader in providing responsible, effective administrative and information technology services through commitment to service, efficient operations, openness to change, and values-based behavior. The TFF achieves cost savings, promotes economies of scale, and increases productivity and efficiency in the use of resources by providing centralized services.

The TFF is a key representative of the Administration's Management Agenda and the Cross Agency Priority Goals focused on shared services, smarter information technology (IT) delivery, and customer service. The TFF supports these goals through: 1) increasing Treasury's capacity and ability to serve a broader customer base; and 2) providing low-cost, high-performing shared services for all interested agencies in the financial, Human Resources (HR), and technology areas.

The TFF authority permits a reasonable operating reserve to be maintained for shared service providers and will provide a platform for expanding Treasury's shared services programs. The balance reflected in the net results is in general alignment with TFF reserve requirements.

Main Functions TFF, which includes the Shared Services Programs (SSP) and the Administrative Resource Center (ARC), provides financial management, procurement, travel,

HR, IT, and other administrative services to federal customers, including a majority of the Department of the Treasury Bureaus, on a fully cost recoverable, fee-for-service basis.

Strategic Goals

- Establish a level of transparency and a governance process that sets the standard for government service providers.
- Maintain status as a Financial Management Federal Shared Service Provider (FSSP).
- Continually improve TFF's operational service levels.
- Implement process improvements and efficiency efforts to reduce costs to customers.
- Promote and maximize shared services benefits in support of Treasury and government-wide initiatives.
- Continue to assess and report TFF's performance and provide timely feedback to customers.

Relationship to Treasury Strategic and Priority Goals

TFF supports the Treasury's Strategic Goal number 3, to "fairly and effectively reform and modernize federal financial management, accounting, and tax systems" and Strategic Goal number 5, to "create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction." Based on the Strategic Objective Annual Review process, TFF's strategic goals align specifically with Objectives 3.1, 5.3, and 5.4. Below are the objectives included in the strategic plan:

- **Objective 3.1** – Improve the efficiency and transparency of federal financial management and government-wide accounting.
- **Objective 5.3** – Promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability.
- **Objective 5.4** – Create a culture of service through relentless pursuit of customer value.

FY 2017 Priorities

- Maintain service levels and achieve cost efficiencies wherever possible.
- Expand shared services opportunities throughout Treasury and to federal agencies in order to reduce costs to all customers.
- Serve as a champion of the shared services initiative.
- SSP is committed to pricing transparency across business lines, showing each component of a customer's pricing and how all pricing is calculated across the customer base. SSP will continue to utilize SharePoint and customer advisory boards to share information and gather input from its customers.
- ARC will continue to expand use of Business Process Management and Lean Six Sigma principles throughout the Administrative business line.
- Align the resources of the Information Technology business line with the services provided to internal and external customers.

Key Accomplishments and Challenges

- *Achieve program savings through modernization* –
 - System development and stabilization efforts underway in FY 2015 and continuing into FY 2016 include: Payment Application Modernization; Pay.gov; Treasury Automated

- Auction Processing System; Treasury Offset Program Next Generation; Treasury Retail Investment Manager.
 - The Office of Civil Rights and Diversity (OCD) continues to realize savings through managing a consolidated complaints center in support of all Treasury offices.
 - The Treasury Executive Institute program entered the TFF in FY 2015. Efficiencies will be gained through economies of scale that will be passed on to customers as the user base continues to expand.
 - Bureau-wide Messaging and Collaboration (M&C) will be implemented by the end of FY 2016. The M&C will provide Fiscal Service with a shared email and file management system, as well as enhanced tools for collaboration including online meetings and document sharing.
- *Cyber Initiatives* –
 - Facilitate the rollout and use of Continuous Diagnostics and Mitigation, a Department of Homeland Security (DHS) mandated initiative to establish enterprise cybersecurity solutions that provides a consistent government-wide set of information security continuous monitoring.
 - Support the rollout and use of Data Loss Prevention technology, which is a critical tool for preventing the accidental and intentional loss of sensitive information, such as personally identifiable information.
 - Advance cyber threat defense capabilities of the Government Security Operations Center and provide additional visibility and services to Bureaus, including forensics and malware examinations, threat activity analysis, and enhanced incident reporting.
- *Maintain Cost Levels in Growing Programs* – For FY 2015, ARC continued to implement process improvements and efficiency efforts to reduce costs to customers. In addition to the ongoing challenge of minimizing prices, another key challenge for ARC has been maintaining services and customer satisfaction levels while simultaneously pursuing cost reduction and containment initiatives, such as transitioning customers to the standardized service delivery model and balancing service levels with customer demand and funding levels.
- *Modernizing Internal Financial Management and Processes* – In FY 2015, the Shared Services Division (SSD) developed an automated budget loading system to allow for centralized access to funding levels for each SSP. SSD designed and developed a new tool known as COBRA that will be implemented starting in FY 2016. COBRA aims to automate the SSP budget formulation process, creating workflow efficiencies by linking this process with the pricing, billing, collecting, and budget loading processes and creating centralized access for all SSP data.
- *Investments in the HR Connect Line of Business* – SSP is making investments to better manage and administer the core platform. This will strengthen customer service for existing customers and allow for the expansion of products and services to other agencies.
- *Treasury Network (TNet): Consolidation, Network Reconfigure Planning* – Beginning in FY 2016, SSP will merge the TNet Circuits program with the TNet program to better align these costs with the TNet project management office staff, who are responsible for managing the payments and general finances of the circuits for all Bureaus and the TNet program in general. Separately, the TNet team will begin gathering Treasury Bureau requirements and

planning for the upcoming transition, pending the completion of the General Services Administration (GSA) Network contract recompetes.

- *Continue Customer Expansion* – The ARC has transitioned the Department of Housing and Urban Development (HUD) into all service lines (Financial Management, Procurement, Human Resources, and Travel). The transition of HUD to full service Human Resources and Travel was completed in FY 2015. HUD is also a full service customer of Financial Management and platform Procurement Services as of October 2015. Program system integration will continue throughout FY 2016. Completion of this project will improve HUD's compliance with the Federal Financial Management Improvement Act as well as improve decision making capabilities with the full integration of services in a core financial system.
- *Federal Shared Service Provider (FSSP) for Financial Management Designation* – One of only four designated FSSPs, ARC continues to work with Office of Management and Budget (OMB) and the Office of Financial Innovation and Transformation (OFIT) to implement OMB M-13-08 and successfully transition federal agencies as they require upgrades or significant investments to their existing financial management system. Additionally, ARC is an active participant with OFIT and the other FSSPs to develop the initial Financial Management catalog. ARC management is transitioning the organization to be positioned competitively for the future shared service environment. ARC remains committed to utilize technology and align work processes in preparation for on-boarding larger customers (e.g. cabinet level departments) and ensuring compliance with new reporting requirements (e.g. DATA Act). To minimize the impact of cost increases, ARC will implement process improvements where possible through the expansion of lean business process management. ARC's goal is to keep price rate increases below inflation while maintaining the current service level agreements. ARC is improving pricing transparency by providing both customer specific performance metrics and a Transparency file. The Transparency file reflects the budget for each service provided, detailing the cost model allocations that are used to determine the annual customer prices.
- *DATA Act Funding for ARC* – All costs associated with implementing DATA Act requirements are included in the shared services pricing model and would be funded through customer prices increases. The Budget requests \$3 million in discretionary funding for the Administrative Resource Center to implement requirements of the DATA Act for Federal agencies. This funding will remain available until expended, provided, that such amount shall be in addition to any other amounts available for such purpose.
- *Attestation Engagement & Financial Statement Audit Updates* – ARC undergoes an annual *Type II Statements on Standards for Attestation Engagements (SSAE) 16* review. SSAE 16 is an attestation engagement of internal controls, in which management is attesting, in writing, to the fair presentation and design of controls. ARC has received 12 consecutive unmodified opinions for these types of engagements. The SSAE 16 results enhance customer confidence and reduce annual financial statement audit costs. TFF has received 16 consecutive unmodified financial statement audit opinions.

Larger operating environment

In FY 2017, TFF will maintain its commitment to excellence and continue to meet all strategic and financial goals and benchmarks. TFF continues to strive for growth opportunities to expand existing service lines and provide other valuable in-demand administrative services in an era of

fiscal constraint. In order to meet the goal of reducing costs to customers, TFF will maximize shared service value and continue to look for opportunities to improve the efficiencies in business processes and technologies used in service delivery.

The governance structure for the TFF is composed of three major governing bodies:

1. Assistant Secretary for Management – Responsible for the corporate management and oversight for the TFF;
2. Shared Services Council (SSC) – Serves as an advisory body for all TFF programs and ensures customers' perspectives are included in the decision-making process. The SSC plans to align and enhance shared services across the Department, and
3. Financial Management Oversight Committee – Functions as a due diligence working group that performs preliminary reviews of new shared services and financial and budgetary policies and procedures prior to any new activities being considered and presented to the SSC.

In addition to the creation of the Shared Services Council, the TFF strives to incorporate the customer perspective into the decision-making process. Customer involvement and input provide an opportunity for the SSC to obtain constructive and directed feedback and ensure that customer concerns are addressed.

Section 2 – Budget Adjustments and Appropriations Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Treasury Franchise Fund	FTE	Amount
FY 2016 Estimate	1,786	\$546,344
Changes to Base		
FY 2016 Revised Estimate	1,785	\$540,165
Adjustment to Estimate (ARC)	-10	(\$14,685)
Adjustment to Estimate (SSP)	9	\$8,506
Maintaining Current Levels (MCLs)	0	\$9,186
Pay-Raise	0	\$1,958
Pay Annualization	0	\$650
Non-Pay	0	\$6,578
Subtotal Changes to Base	0	\$9,186
Total FY 2017 Base	1,785	\$549,351
Program Changes		
Program Increases	103	\$23,568
DATA Act Implementation (ARC)	0	\$3,000
Customer Growth (ARC)	102	\$13,854
Customer Growth (SSP)	1	\$6,714
Subtotal Program Changes	103	\$23,568
Total FY 2017 Request	1,888	\$572,919

2A – Budget Increases and Decreases Description

Adjustment to Estimate-\$6,179,000 / -1 FTE

Adjustment to Estimate (ARC) -\$14,685,000 / -10 FTE

Administrative Services overestimated the budgetary resources necessary to service the Department of Housing and Urban Development.

Adjustment to Estimate (SSP) +\$8,506,000 / +9 FTE

Key investments include several new cybersecurity initiatives and customer support requests, such as the improvement of service delivery to support higher customer demand for the HR Connect, Enterprise Content Management (ECM), and Enterprise Data Management (EDM) programs.

Maintaining Current Levels (MCLs)+\$9,186,000 / +0 FTE

Pay-Raise +\$1,958,000 / +0 FTE

Funds are required for the proposed January 2017 pay-raise.

Pay Annualization +\$650,000 / +0 FTE

Funds are required for annualization of the January 2016 pay-raise.

Non-Pay +\$6,578,000 / +0 FTE

Funds are required for non-labor costs such as travel, contracts, rent, and equipment.

Program Increases+\$23,568,000 / +103 FTE

DATA Act Implementation (ARC) +\$3,000,000 / +0 FTE (Discretionary Funding)

These costs represent discretionary funding for the Treasury Franchise Fund (Administrative Resource Center – ARC) to implement the DATA Act for their client agencies. This funding replaces the amount that would have otherwise passed on to ARC clients. ARC will continue their engagement of client agencies and identify their unique implementation needs. ARC will implement the DATA Act requirements, and submit the data to the Department of the Treasury for publication on USAspending.gov.

Customer Growth (ARC) +\$13,854,000 / +102 FTE

Customer growth is expected within the Administrative and Information Technology Services budget activities. Expanding services to additional customers allows TTF’s fixed costs to be distributed across a greater base. In addition to the economic benefits, customers will receive professional services that are consistent in both quality and cost. These benefits strongly align with Treasury’s goals of fiscal responsibility and the further standardization of systems and business processes through shared services employed across the government.

Key Program Investments (SSP) +\$6,714,000 / +1 FTE

Estimated costs to transition the Treasury Network (TNet) circuits to a new environment as part of the GSA Networkx contract re-compete, as well as a staffing adjustment to reflect the OCRD’s workload following the complaints center transition.

2.2 – Operating Levels Table

Dollars in Thousands

Treasury Franchise Fund Object Classification	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
11.1 - Full-time permanent	122,942	137,650	149,378
11.3 - Other than full-time permanent	931	928	1,009
11.5 - Other personnel compensation	1,646	2,059	2,239
11.6 - Overtime	1,425	1,513	1,356
11.7 - Other Personnel Compensation	745	497	531
11.9 - Personnel Compensation (Total)	127,689	142,647	154,513
12.0 - Personnel benefits	41,399	47,117	49,500
Total Personnel and Compensation Benefits	\$169,088	\$189,764	\$204,013
21.0 - Travel and transportation of persons	1,506	2,151	2,328
22.0 - Transportation of things	25	25	25
23.1 - Rental payments to GSA	251	5,450	5,659
23.2 - Rental payments to others	75	305	290
23.3 - Communication, utilities, and misc charges	66,160	61,865	64,401
24.0 - Printing and reproduction	3	5	5
25.1 - Advisory and assistance services	46,501	23,325	30,053
25.2 - Other services	36,196	17,358	17,874
25.3 - Other purchases of goods & serv frm Govt accounts	111,274	107,959	112,309
25.4 - Operation and maintenance of facilities	0	10	10
25.7 - Operation and maintenance of equip	72,488	91,241	93,607
26.0 - Supplies and materials	857	911	976
31.0 - Equipment	29,733	39,796	41,369
41.0 - Grants, subsidies, and contributions	15	0	0
91.0 - Confidential Expenditures	30	0	0
Total Non-Personnel	365,114	350,401	368,906
Total Budgetary Resources	\$534,202	\$540,165	\$572,919
Budget Activities:			
Administrative Services (Discretionary Appropriation)	0	0	3,000
Shared Services Programs (SSP)	225,024	219,794	230,329
Administrative Services	146,282	153,622	165,492
Information Technology Services	162,895	166,749	174,098
Total Budgetary Resources	\$534,201	\$540,165	\$572,919
FTE	1,646	1,785	1,888

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p data-bbox="337 268 846 338">DEPARTMENT OF THE TREASURY TREASURY FRANCHISE FUND</p> <p data-bbox="363 380 820 411">ADMINISTRATIVE SERVICES</p> <p data-bbox="201 453 976 705"><i>For provision of necessary financial and administrative support services by the Administrative Resource Center to implement requirements of the Digital Accountability and Transparency Act (DATA Act; Public Law 113-101) for Federal agencies, \$3,000,000, to remain available until expended, provided, that such amount shall be in addition to any other amounts available for such purpose.</i></p>	<p data-bbox="1003 453 1360 632">The FY 2017 President’s Budget requests funding to minimize risk and enable compliance with the DATA ACT of 2014.</p>

2C – Legislative Proposals

The Franchise Fund has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Shared Services Programs (SSP)

(\$230,329,000 from expenses/obligations):

SSP supports the goals of shared services by offering administrative and information technology services on a competitive basis, as well as delivering outstanding customer service. The Shared Services Division (SSD) evaluates and examines any new franchise services that may be added to the TFF before they are presented to the SSC for consideration.

TFF supports Treasury’s Strategic Objective number 5.3, to “promote efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability,” by providing reliable, consistent, and cost-effective administrative support services.

The service providers under the SSP are organizational components of the Assistant Secretary for Management and Chief Financial Officer (ASM/CFO) within the Departmental Offices (DO). The SSP provides services within the following program categories:

- *Enterprise Business Solutions (EBS)* – Provides support through HR Connect, which is Treasury’s enterprise Human Capital system. HR Connect is a Human Resources Line of Business shared service provider supporting 23 Treasury Bureaus and offices as well as 11 non-Treasury agencies. The EBS provides full lifecycle HR processing such as recruiting, personnel actions, payroll, and new employee processing. HR Connect provides functionality that is interoperable and scalable, and enables customers to meet their Human Capital strategic goals. Additionally, through its Enterprise Data Management team, EBS provides data architecture and integration services that currently support Workforce Analytics (available through HR Connect) and Data ‘N Analytics (DNA, available through desktop visualization tools).
- *Infrastructure Operations* – Provides management of all telecommunications programs within the Office of the Chief Information Officer (OCIO). Infrastructure Operations provides strategic direction to telecommunications programs, ensures that costs are managed according to best practices, and reduces costs where possible.
- *Cybersecurity* – Provides Critical Infrastructure Protection and Information Security services and supports the direct protection of designated Treasury critical infrastructure/key resources against terrorist activity. Cybersecurity also supports the protection (confidentiality, integrity, and availability) of the Department’s systems and the information they process. Cybersecurity also coordinates the Department’s overall activities to implement the Federal Information Security Management Act of 2002.
- *IT Strategy & Technology Management* – Develops an IT Strategy and Transition Plan to meet Treasury’s mission requirements and strategic goals. The Performance Measurement and Governance program collaborates with Bureaus and partners with Capital Planning and Investment Control to ensure the management of IT portfolios aligns with IT transition plans.
- *Additional Programs* –
 - Financial System Integration – Develops and maintains the Financial Analysis and Reporting System (FARS).
 - Office of Civil Rights and Diversity – Provides a service to process complaints under the Equal Employment Opportunity Program (mandated by 29 CFR 1614).

- Office of Emergency Preparedness – Ensures continuity of the Treasury Department’s essential functions during disasters and administers emergency mitigation, preparedness, response, and recovery activities.
- Office of Small and Disadvantaged Business Utilization – Advises and aids the Bureaus on small business policies and initiatives.
- Treasury Operations Excellence – Provides Lean Six Sigma training and other services to help Treasury and other federal agencies use entrusted resources more effectively and efficiently.
- Privacy, Transparency, and Records – Provides assistance to Treasury customers to collect, protect, retain, preserve, disclose, and provide access to Treasury’s information resources pursuant to U.S. laws.
- Printing and Graphics – Provides printing services to Treasury customers and assists customers in planning and designing printed publications.
- Treasury Executive Institute – Provides continuous growth and learning opportunities for executives, executive development candidates, and senior managers. Promotes marketplace of ideas by exposing executives to the best practices in leadership models.
- Pass-through Programs – Pass-through payments that support government-wide initiatives.

Description of Performance:

- *Customer Satisfaction with Financial Planning Staff Survey Results* – The Shared Services Division (SSD) established a customer satisfaction measure starting in FY 2014. Results reflect the percentage of customers that rate their communication experience with the SSD Financial Planning staff as either “Good” or “Excellent” on a 5-point scale. The FY 2015 target was 60 percent, and actual results were 69 percent. However, the number of customers taking the survey increased from 19 in FY 2014 to 26 in FY 2015. The SSD will continue to push towards a higher score on this measure through more customer outreach on billing, pricing, financial management and the performance of each of the SSPs.
- *ECM/Web Solutions* – Response time to resolve ECM and Web Solutions non-critical issues/helpdesk tickets is targeted to be within 10 - 15 business days.
- *HR Connect: Customer Satisfaction Annual Survey Results* – EBS continues to improve and strives to maintain the level of customer satisfaction for HR Connect as customer expectations are rising. To improve the user experience, EBS has been working for several years on InCompass, an HR portal. The FY 2011 results are not directly comparable to those from later years as the data collection methodology changed between FY 2011 and FY 2012. No surveys were administered for FY 2009 and FY 2010 due to a system platform upgrade.
- *HR Connect: Employee Update Files* – Transmission of employee update files were made to the specified external benefit provider within established timeframes. EBS continues to improve and stay in its acceptable range, which is relatively wide due to the limited number of transmitted files. EBS’s targets are consistent with the targets used for quarterly Capital Planning and Investment Control process and the Office of Personnel Management reporting for HR Connect.
- *HR Connect: Number of Tickets Escalated to Tier 3* – EBS continues to maintain its current target levels. This target is based on implementing process improvements in the Design Documents and Quality Assurance environments.

3.1.1 – Shared Services Programs (SSP) Budget and Performance Plan

Dollars in Thousands

Shared Services Programs (SSP) Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses /Obligations	\$0	\$0	\$175,258	\$187,498	\$171,861	\$225,024	\$219,794	\$230,329
Budget Activity Total	\$0	\$0	\$175,258	\$187,498	\$171,861	\$225,024	\$219,794	\$230,329

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Customer Satisfaction with Financial Planning Staff %	N/A	N/A	N/A	57.2	59.1	69.0	62.0	70.0	72.0
ECM/Web Solutions Response Time to Resolve ECM and Web Solutions Non-Critical Issues/Help Desk Tickets within 10-15 Business Days	N/A	N/A	92.8	96.8	95.0	82.0	90.0	90.0	90.0
HR Connect Customer Satisfaction %	N/A	93.0	90.0	90.0	90.1	84.0	90.0	85.0	91.0
HR Connect Employee Update Files- Transmission of Employee Update Files Made to the Specified External Benefit Provider Within Established Timeframes	N/A	N/A	98.3	96.8	100.0	97.3	90.0	90.0	90.0
HR Connect Number of Tickets Escalated to Tier 3	N/A	N/A	303.0	212.0	242.0	128.0	222.0	200.0	200.0

Key: DISC - Discontinued

3B – Administrative Services

(\$168,492,000 from expenses/obligations):

ARC's administrative services activity supports OMB's and the Department of the Treasury's shared services concept, which furthers "good government" by standardizing the administrative financial systems and processes required to operate federal organizations. Value is provided through cost sharing opportunities in systems capital investments as well as reduced operating costs by providing consolidated, high quality, value added services. ARC has three important roles within Treasury:

- OMB designated FSSP for the Financial Management Line of Business.
- Support organization for Treasury's Human Resources Line of Business.
- Designated provider for the Budget Formulation and Execution Line of Business.

These lines of business provide administrative support functions with a focus on financial management, procurement, travel, and human resources. The program's success is evidenced by the increasing demand for services.

Description of Performance:

- Administrative Services proposes to discontinue the performance measure, Procurement Savings Negotiated, and create a new measure, Timely Contract Issuance.
- Administrative Services also measures indirect costs as a percentage of total costs. This provides TFF management with a measure that encourages efficiency in administrative operations and helps to ensure services are provided at the lowest possible cost. TFF will continue to pursue customer growth and evaluate indirect cost expenditures to maintain actual performance at or below the established target.

Administrative Services created 10 new operational metrics in FY 2014 for each service line. These measures provide actual performance of each service line in isolation rather than as a blended organizational measure. Administrative Services will continue to pursue customer growth, seek business process improvements, and evaluate direct and indirect cost expenditures to manage performance.

3.1.2 – Administrative Services Budget and Performance Plan

Dollars in Thousands

Administrative Services Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/ Obligations	\$93,046	\$109,555	\$116,571	\$127,747	\$131,578	\$146,282	\$153,622	\$165,492
Discretionary Appropriation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,000
Budget Activity Total	\$93,046	\$109,555	\$116,571	\$127,747	\$131,578	\$146,282	\$153,622	\$168,492

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Direct Cost as a Percentage of Award Dollars	N/A	N/A	N/A	N/A	0.4	0.1	0.5	0.5	0.5
Direct Cost per AP Transaction	N/A	N/A	N/A	N/A	65.4	54.22	74.0	73.0	65.0
Direct Cost per FTE in Core HR Services	N/A	N/A	N/A	N/A	976.3	963.0	1,100.0	1,075.0	1,050.0
Direct Cost per System User - Oracle	N/A	N/A	N/A	N/A	18,261.0	21,724.0	18,315.0	18,300.0	18,300.0
Direct Cost per Travel Voucher	N/A	N/A	N/A	N/A	24.8	21.1	28.0	27.0	27.0
First Call Resolution - Oracle %	N/A	N/A	N/A	N/A	61.0	57.0	50.0	50.0	50.0
Hiring Timeliness %	N/A	N/A	N/A	N/A	89.0	87.0	85.0	85.0	85.0
Indirect Cost Admin Services %	N/A	N/A	24.0	23.0	27.1	27.5	22.0	25.0	25.0
Procurement Savings Negotiated %	N/A	N/A	N/A	N/A	11.3	2.8	6.0	DISC	DISC
Timely Contract Issuance	N/A	N/A	N/A	N/A	N/A	N/A	N/a	90.0	90.0
Travel Voucher Payments Timeliness %	N/A	N/A	N/A	N/A	99.0	99.0	98.0	98.0	98.0
Unqualified Audit Opinions %	N/A	N/A	N/A	N/A	96.0	100.0	100.0	100.0	100.0
Key: DISC - Discontinued									

3C – Information Technology Services

(\$174,098,000 from expenses/obligations):

The Information Technology Services Activity provides shared services to a variety of federal customers, both internal and external to Treasury. Value is provided through IT infrastructure consolidation and standardized IT service delivery in a modern, technically innovative, and secure environment. Customers avoid costly, long-term development projects when they take advantage of TFF's shared services and environments. Services include information systems security, hosting, and software engineering. Additionally, end-user support and professional services are provided to the Fiscal Service and TFF.

TFF, designated by the OMB as a Shared Service Center for Information Systems Security Line of Business, provides agencies with proven Security Assessment and Authorization and Continuous Monitoring services. TFF, authorized by the Department, is one of two Treasury trusted internet connection providers and hosts Treasury's public domain name system. TFF delivers information security support to other federal agencies, while improving quality, accelerating delivery, and reducing customer costs.

Secure hosting services are provided for production, contingency, and development/test regions. TFF has critical supporting roles in the Public Key Infrastructure (PKI) Shared Service Provider designation of the Department of the Treasury. TFF's PKI and directory experience makes end-to-end identity management solutions available to customers.

Rapid Application Development techniques and a demonstrated ability to integrate commercially available solutions combine to provide high quality software engineering services at a competitive price.

Effective in FY 2017, TFF will expand its use of Information Technology Services performance measures to better track each of its business lines by discontinuing its current metric and establishing the following new measures:

- 1) Fiscal IT Hosting – Percentage of time service is operational (uptime excluding planned maintenance)
- 2) Percentage of Annual Testing/Annual Assessment to 800-53 standard.
- 3) Percentage of capital investment projects with improved rating (red to yellow/green or yellow to green) on the IT Dashboard within 90 days.
- 4) Percentage of POA&M's Scheduled for Closure in Last 30 Days Closed Early or On-Time.
- 5) Number of engagements in strategic sourcing or "Service Provider" or other shared services opportunity.

3.1.3 – Information Technology Services Budget and Performance Plan

Dollars in Thousands

Information Technology Services Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$73,858	\$72,905	\$149,581	\$152,050	\$149,992	\$162,895	\$166,749	\$174,098
Budget Activity Total	\$73,858	\$72,905	\$149,581	\$152,050	\$149,992	\$162,895	\$166,749	\$174,098

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Fiscal IT Hosting - Percentage of Time Service is Operational (Up Time Excluding Planned Maint.)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	99.0
Indirect Cost IT Services %	N/A	N/A	19.0	22.0	27.1	11.4	19.0	19.0	N/A
Number of Engagements in Strategic Sourcing or "Service Provider" or Other Shared Services Opportunity	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.0
Percentage of Annual Testing/Annual Assessment to 800-53 Standard	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	90.0
Percentage of Capital Investment Projects with Improved Rating (Red to Yellow/Green or Yellow to Green) on the IT Dashboard within 90 Days	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100.0
Percentage of POA&Ms Scheduled for Closure in Last 30 Days - Closed Early or On Time	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	90.0

Key: DISC - Discontinued

Section 4 – Supplemental Information

4A – Summary of Capital Investments

ARC's planned investments enhance the capabilities and capacity of our financial management shared services. Investing in Service Oriented Architecture will allow the Bureaus to streamline application connections resulting in benefits that include reducing development time, using industry development best practices for coding efforts, allowing real time processing of transactional data between systems, and system independent communication between systems. In addition, this effort will provide more flexibility and more efficient interfaces with customers' third-party applications.

ARC also plans to expand the use of an enterprise-wide financial statement reporting tool and update operational (transactional) reporting and analytical tools in order to provide a more efficient interpretation of large volumes of data, long-term stability, and improved presentation and distribution capabilities.

A summary of capital investment resources, including major information technology and non-information technology investments, can be viewed and downloaded at:
<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

4B – Treasury Franchise Fund Program Costs

This information is being provided to fulfill requirements of Section 122, Public Law 113-235, Consolidated Appropriations Action, 2015.

Treasury Franchise Fund – Shared Services Programs FY 2015 Total Charges by Customer

Customers	Enterprise Business Solutions	Infrastructure Operations	Cybersecurity	IT Strategy and Technology Management	Non-Information Technology Services	Totals
Alcohol and Tobacco Tax and Trade Bureau	235,503	599,478	35,188	21,156	222,785	1,114,110
Alcohol, Tobacco, Firearms and Explosives	1,313,131	31,495			139,601	1,484,227
Architect of the Capitol	245,719				75,390	321,109
Bureau of Engraving and Printing	1,388,692	3,944,341	146,540	84,494	1,120,685	6,684,752
Bureau of the Fiscal Service	3,903,276	835,028	178,136	104,904	1,530,851	6,552,195
Commodities Futures Trading Commission					72,904	72,904
Community Development Financial Institutions Fund	216,904	25,255	5,548	57,041	118,842	423,590
Consumer Financial Protection Bureau	1,553,046	3,387,268	118,558	21,217	381,407	5,461,496
DC Pensions	12,203	93,261	1,314	790	41,940	149,508
Department of Commerce	6,897,492	141,888			399,523	7,438,903
Department of Education					122,479	122,479
Department of Homeland Security - Customs and Immigration Service					77,278	77,278
Department of Homeland Security – Headquarters					196,841	196,841
Department of Housing and Urban Development	3,423,471	33,158			231,619	3,688,248
Department of Justice – Antitrust					43,742	43,742
Department of Justice – Headquarters					126,853	126,853
Department of Labor	4,722,468	67,767			218,429	5,008,664
Departmental Offices Office of Technical Assistance	14,475	104,129	1,460	878	39,494	160,436
Departmental Offices S&E	2,192,605	7,651,368	685,592	54,383	2,737,424	13,321,372
Departmental Offices Terrorism Risk Insurance Program	6,321	51,795	730	439	18,089	77,374
DHS - U.S. Secret Service	1,492,029	27,245			61,383	1,580,657
Environmental Protection Agency					284,952	284,952
Executive Office for Asset Forfeiture	959,232	199,400	2,117	1,273	64,879	1,226,901
Export Import Bank of the Inspector General					5,832	5,832
Federal Communications Commission	51,375				4,759	56,134

CONT. Treasury Franchise Fund – Shared Services Programs FY 2015 Total Charges by Customer

Customers	Enterprise Business Solutions	Infrastructure Operations	Cybersecurity	IT Strategy and Technology Management	Non-Information Technology Services	Totals
Federal Deposit Insurance Corporation	446,018				17,841	463,859
Federal Emergency Management Agency	396,152				24,938	421,090
Federal Financing Bank	21,097	181,255	2,555	1,536	47,186	253,629
Federal Reserve Board					5,832	5,832
Financial Crimes Enforcement Network	175,740	584,516	25,259	15,187	186,183	986,885
Financial Stability Oversight Council	40,980	124,783	1,825	1,097	31,525	200,210
General Accountability Office	670,554	13,336			31,347	715,237
General Services Administration					131,227	131,227
Internal Revenue Service	40,867,896	61,775,729	6,518,767	3,779,165	14,713,327	127,654,884
Office of Financial Research	366,590	5,529,214	194,121	9,437	179,334	6,278,696
Office of Financial Stability	1,344,440	538,348	9,199	5,531	344,566	2,242,084
Office of Government Ethics					5,832	5,832
Office of Inspector General	119,071	543,535	16,333	9,349	147,560	835,848
Office of the Comptroller of the Currency	1,910,541	1,232,322	288,585	173,508	971,307	4,576,263
Overseas Private Investment Corporation					13,123	13,123
Peace Corps	636,358				25,454	661,812
Small Business Administration	495,995				5,625	501,620
Small Business Lending Fund Administration	18,075	129,529	1,825	1,097	90,458	240,984
Special Inspector General for TARP	164,032	770,827	29,712	8,427	143,802	1,116,800
State Small Business Credit Initiative Administration	14,249	72,609	1,022	615	24,707	113,202
TFF Administrative Resource Center	3,248,504	1,966,799	100,453	60,397	220,842	5,596,995
Treasury Inspector General for Tax Administration	421,177	2,067,125	235,664	36,738	231,868	2,992,572
U.S. Mint	1,738,076	1,450,285	158,586	82,255	1,066,798	4,496,000
United States Agency for International Development	1,972,561	20,235			95,479	2,088,275
Veterans Benefits Administration					86,027	86,027
GRAND TOTAL	83,696,048	94,193,323	8,759,089	4,530,914	27,094,142	218,359,543

Treasury Franchise Fund – Administrative Resource Center FY 2015 Total Charges by Customer

Customers	Financial Management Services	FMLoB FEES	Human Resource Services	Procurement Services	Travel Services	Information Technology Services	Grand Total
ACCESS BOARD	200,133		60,790	132,529	37,965		431,417
ADMIN OFFICES OF THE US COURTS	260,306						260,306
ADMINISTRATION FOR CHILDREN AND FAMILIES	96,474				6,990		103,464
ADMINISTRATIVE RESOURCE CENTER						18,167,519	18,167,519
AFRICAN DEVELOPMENT FOUNDATION	1,025,661			453,894	40,468		1,520,023
AGENCY FOR INTERNATIONAL DEVELOPMENT - OIG	85,542						85,542
AGENCY FOR INTERNATIONAL DEVELOPMENT U.S.	83,497	91,112					174,609
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU	784,180		917,000	665,473	226,384		2,593,037
ALCOHOL TOBACCO FIREARMS AND EXPLOSIVES					533,464		533,464
ARMED FORCES RETIREMENT HOME	1,119,024		1,409,419	829,578	36,457		3,394,478
BUREAU OF ENGRAVING AND PRINTING			688,934		98,503		787,437
BUREAU OF THE FISCAL SERVICE	11,633,169		4,488,062	4,868,990	412,832	137,104,922	158,507,975
CDFI PROGRAM FUND	938,890		168,527	318,345	33,419		1,459,181
CENTER FOR DISEASE CONTROL					1,099,092		1,099,092
CHEMICAL SAFETY AND HAZARD BOARD	256,589			22,398	39,980		318,967
CONSUMER FINANCIAL PROTECTION BUREAU	1,256,958		3,504,004	1,217,161	1,099,637	4,100	7,081,860
CONSUMER PRODUCT SAFETY COMMISSION					10,938		10,938
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	88,755						88,755
DC PENSIONS PROJECT OFFICE	1,773,907		32,097	22,884	1,353	1,616,413	3,446,654
DEFENSE NUCLEAR FACILITIES SAFETY BOARD			81,969				81,969
DENALI COMMISSION	308,156		61,120	116,303	25,215		510,794
DEPARTMENT OF AGRICULTURE		159,282					159,282
DEPARTMENT OF COMMERCE		95,819				262,700	358,519
DEPARTMENT OF DEFENSE		187,342					187,342
DEPARTMENT OF EDUCATION		219,288					219,288
DEPARTMENT OF ENERGY	155,110	124,236					279,346
DEPARTMENT OF HEALTH & HUMAN SERVICES		219,288			97,229		316,517
DEPARTMENT OF HOMELAND SECURITY	299,887	187,342				506,434	993,663
DEPARTMENT OF HOMELAND SECURITY - CIS					590,800		590,800
DEPARTMENT OF HOMELAND SECURITY - OIG	715,609				317,677		1,033,286
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	8,662,388	230,616	11,720,729	1,311,651	1,934,025		23,859,409
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - OIG			1,597,120	244,817			1,841,937
DEPARTMENT OF JUSTICE		124,236					124,236
DEPARTMENT OF JUSTICE - CIVIL DIVISION	107,632						107,632
DEPARTMENT OF LABOR	211,900	141,399					353,299

CONT. Treasury Franchise Fund – Administrative Resource Center FY 2015 Total Charges by Customer

Customers	Financial Management Services	FMLoB FEES	Human Resource Services	Procurement Services	Travel Services	Information Technology Services	Grand Total
DEPARTMENT OF STATE	553,956	95,892					649,848
DEPARTMENT OF THE INTERIOR	1,313,550	124,236					1,437,786
DEPARTMENT OF TRANSPORTATION		230,616					230,616
DEPARTMENT OF VETERANS AFFAIRS		158,998					158,998
DEPARTMENT OF VETERANS AFFAIRS - OIG			1,440,764				1,440,764
DEPARTMENT OF VETERANS AFFAIRS - TAC						475,474	475,474
ELECTION ASSISTANCE COMMISSION	371,779			127,607	19,731		519,117
ENVIRONMENTAL PROTECTION AGENCY		95,819				48,700	144,519
FARM CREDIT ADMINISTRATION	311,070			46,925	234,018		592,013
FARM CREDIT SYSTEM INSURANCE CORPORATION	158,890			1,274	4,165		164,329
FEDERAL EMERGENCY MANAGEMENT AGENCY					54,982		54,982
FEDERAL HOUSING FINANCE AGENCY	837,629			218,974	327,232		1,383,835
FEDERAL HOUSING FINANCE AGENCY - OIG	315,540		455,244	380,814	84,185		1,235,783
FEDERAL LABOR RELATIONS AUTHORITY	413,124			48,610	34,813		496,547
FEDERAL MARITIME COMMISSION	264,555			61,414	20,583		346,552
FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION	338,571		145,670	21,931	36,369		542,541
FINANCIAL CRIMES ENFORCEMENT NETWORK	593,012		217,635	692,250	63,943	2,250,890	3,817,730
FOOD AND DRUG ADMINISTRATION					680,584		680,584
GENERAL SERVICE ADMINISTRATION		41,332					41,332
GULF COAST ECOSYSTEM RESTORATION COUNCIL	198,395			26,567	13,258		238,220
INTER AMERICAN FOUNDATION	670,735			727,437	28,341	-	1,426,513
IRS CRIMINAL INVESTIGATION DIVISION						509,216	509,216
MERIT SYSTEMS PROTECTION BOARD	432,782			24,327	56,236		513,345
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	172,721	124,236				459,233	756,190
NATIONAL ARCHIVES & RECORDS ADMINISTRATION	3,533,196			521,163	338,196		4,392,555
NATIONAL MEDIATION BOARD	316,155			229,568	51,583	108,300	705,606
NATIONAL SCIENCE FOUNDATION		132,262		2,511	74,447		209,220
NUCLEAR REGULATORY COMMISSION		41,332					41,332
OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION	227,428			17,245	20,758		265,431
OFFICE OF ADMINISTRATION, EXEC OFF OF THE PRES	1,150,913			300,784	402,457		1,854,154
OFFICE OF FINANCIAL STABILITY	319,244		252,963	39,217	30,435		641,859
OFFICE OF GOVERNMENT ETHICS	311,280		204,873	199,824	23,401		739,378
OFFICE OF INFORMATION TECHNOLOGY	696,078		862,046	1,195,401	101,540		2,855,065
OFFICE OF NATIONAL DRUG CONTROL POLICY				4,100			4,100
OFFICE OF PERSONNEL MANAGEMENT		41,332					41,332
OFFICE OF TECHNICAL ASSISTANCE (OTA)	582,817		25,459	38,852	458,234		1,105,362
OFFICE OF THE COMPTROLLER OF THE CURRENCY				134,792			134,792

CONT. Treasury Franchise Fund – Administrative Resource Center FY 2015 Total Charges by Customer

Customers	Financial Management Services	FMLoB FEES	Human Resource Services	Procurement Services	Travel Services	Information Technology Services	Grand Total
OFFICE OF THE INSPECTOR GENERAL	310,334		321,078	144,884	64,570		840,866
PENSION BENEFIT GUARANTY CORPORATION						177,897	177,897
RAILROAD RETIREMENT BOARD					21,396		21,396
SECURITIES AND EXCHANGE COMMISSION	139,992						139,992
SMALL BUSINESS ADMINISTRATION		67,475					67,475
SOCIAL SECURITY ADMINISTRATION		67,475				604,681	672,156
SPECIAL INSPECTOR GENERAL - TARP	310,821		455,186	264,186	114,732		1,144,925
TREASURY DEPARTMENTAL OFFICES	3,781,301		5,536,797	1,415,565	729,478	4,427,155	15,890,296
TREASURY FRANCHISE FUND/SHARED SERVICES PROGRAM	519,951	95,892	503,349	321,504	97,840		1,538,536
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION	680,115		1,232,370	655,071	293,287		2,860,843
TRICARE MANAGEMENT ACTIVITY					57,829		57,829
TRUST FUND - BLACK LUNG DISABILITY	179,956						179,956
TRUST FUND - FEDERAL DISABILITY	499,290						499,290
TRUST FUND - FEDERAL HOSPITAL INSURANCE	516,550						516,550
TRUST FUND - FEDERAL OLD AGE & SURVIVORS	499,290						499,290
TRUST FUND - FEDERAL SUPPLEMENT INSURANCE	559,685						559,685
TRUST FUND - OIL SPILL LIABILITY	132,763						132,763
TRUST FUND - UNEMPLOYMENT	707,257						707,257
UNITED STATES AIR FORCE	1,748,347						1,748,347
UNITED STATES MINT	7,963,572		2,888,130	2,592,069	222,347		13,666,118
US ARMY CORPS OF ENGINEERS BALTIMORE DISTRICT					17,000		17,000
US COURT OF APPEALS FOR VETERANS	225,739			7,266	10,199		243,204
US HOUSE OF REPRESENTATIVES	120,473						120,473
USDA FOOD AND NUTRITION							-
USDA FOREST SERVICE	121,939						121,939
USDA NATURAL RESOURCE CONSERVATION SERVICE						164,544	164,544
USDA OCIO INTERNATIONAL TECHNOLOGY SERVICES			1,137,729				1,137,729
USDA OFFICE OF INSPECTOR GENERAL			67,409				67,409
Grand Total	63,164,562	3,096,857	40,476,473	20,666,155	11,430,597	166,888,178	305,722,822

Shared Services Programs and Administrative Resource Center Activity Descriptions

The Shared Services Programs (SSP) within the Treasury Franchise Fund provides common administrative services that benefit customers both within Treasury and outside agencies. The SSP provides these services on a centralized basis, where they can be administered more advantageously and more economically than they could be provided otherwise. Descriptions of these services are provided below.

Enterprise Business Solutions (EBS) is an organization within the U.S. Department of the Treasury's (Treasury) Departmental Offices (DO), Office of the Chief Information Officer (OCIO) that creates, implements, and maintains information technology solutions in an efficient and innovative manner through shared and scalable products, platforms and services. EBS offers its customers a variety of services available through four (4) distinct product suites; Enterprise Content Management, Enterprise Data Management, HR Connect and Web Solutions. HR Connect, an Office of Personnel Management officially designated Human Resources Line of Business (HR LOB), Shared Service Center (SSC) offers HR solutions across the federal space. Infrastructure Operations includes services such as the Enterprise Infrastructure Services (EIS), Treasury Enterprise Voice (TEV), Treasury Network (TNet), and the Treasury Enterprise Identity Credential and Access Management (TEICAM) services. The EIS program offers services including the development and implementation of additional enterprise-wide infrastructure capabilities and services available to Treasury Departmental Offices and other customers; such as cloud, big data, and others.

The TEV program provides telecommunications capabilities to customers. These services include internal telephony service, Voice Mail with email notification, connections to the public switched telephone network (PSTN), local and long distance calling, Audio Conferencing and certain Video Conferencing, Automatic Call Distribution, Interactive Voice Response Systems, Call Center Services, Custom Emergency 911 Services, associated cabling and physical plant maintenance and the related support and maintenance for these systems. TNet provides a secure enterprise voice, video and data wide area network that connects authorized domestic and international government facilities across the US, the US territories, and at select US Embassies via the State Department's network. TNet Wide Area Network (WAN) service is a cost effective enterprise network supporting Bureau business needs and enabling agency technological initiatives, such as Data Center Consolidation and Mobile Treasury. TEICAM provides requirements; coordination, management processes, technical coordination for Personal Identity Verification (PIV), credential and access management compliance, Public Key Infrastructure (PKI), and establishes the Enterprise Identity Credential and Access Management (EICAM) capabilities Treasury-wide.

Cybersecurity services include supporting the direct protection of designated Treasury Cyber Critical Infrastructure/Key Resources against terrorist activity. The Government Secure Operations Center serves as the focal point for management of cyber incidents and is responsible for security detection, analysis and incident management lifecycle practices to improve the Department's overall security posture. IT Strategy and Technology Management services include assisting customers with collaboration efforts to develop and implement procedures and policies

to manage Treasury's IT portfolio; partners with Enterprise Architecture Programs so management of IT portfolios aligns with IT transition plans (e.g., refresh/replacement/consolidation of IT systems and facilities) and Department Strategic Plans. Additional services include developing and managing an IT Strategy and Transition Plan to meet Treasury's mission requirements and strategic goals. This entails collaborating with Bureaus and partnering with Performance Measurement and Governance to ensure management of the Treasury IT portfolio aligns with IT transition plans.

Some of the non-IT related services include the Civil Rights and Diversity program (CRD), Financial Systems Integration (FSI), Office of Emergency Preparedness (OEP), Small and Disadvantaged Business Utilization (SDB) and Treasury Executive Institute (TEI). CRD administers an Equal Opportunity Program, mandated by 29 CFR 1614, to provide equal opportunity in employment for all persons and to prohibit discrimination in employment, including providing prompt, fair and impartial processing of complaints. FSI develops and maintains the Financial Analysis and Reporting System, which performs analysis and reporting functions for proprietary and budgetary accounting, audit follow-up, management control, and risk management. OEP supports Treasury efforts to prepare for emergencies. This program supports emergency preparedness and business continuity planning exercises. SDB advises customers on small business policies and initiatives; training and advising small businesses on how to do business with the Department of the Treasury; advising and training procurement officials on small business matters; monitoring and reporting progress toward procurement goals. TEI is a shared service provider and center of excellence for delivering and administering high quality, cost-effective executive and leadership training and development programs that align to and advance the Federal Government's and Treasury's mission and performance. TEI sponsors and promotes the continued growth, development and success of the Department of the Treasury's Executive Corps, senior leaders and those of its client partners.

The Administrative Resource Center (ARC) within the Treasury Franchise Fund Administrative Business Line provides services within the following major service lines, as follows: Financial Management Service Line, Procurement Service Line, Travel Service Line, and Human Resources Service Line. The Financial Management Service Line provides a complete range of accounting and budget services. Total accounting and budget support include transaction processing, system setup and support, and comprehensive reporting is offered. Specific financial management services include: processing accounting transactions for single, multi, and no-year appropriated funds, as well as revolving and trust funds, preparing financial statements and other useful financial management reports, providing financial audit support, and budget services including payroll projection.

The Procurement Service Line offers support ranging from simplified acquisitions to full-scale large contract acquisitions. Contract administration services are also available. Additionally, a web-based procurement system, PRISM, that is fully integrated with our accounting system and staff dedicated to configuration and maintenance as well as assisting end-users with software functionality questions, is offered.

The Travel Service Line provides a full-service, stand-alone travel agency for federal agencies compliant with the President's Management Agenda (PMA) and E-Gov requirements and adheres to all Federal Travel Regulations. Use of a web-based travel expense reporting software,

Concur CGE, supports the processing of travel documents for any itinerary. Further, multiple travel management centers with highly experienced travel agencies are used. In addition, full relocation services and management for transferring employees and their agencies is provided. ARC uses moveLINQ, a relocations expense management system developed by mLINQS, to process relocations for its customers. The Human Resources Service Line delivers a full range of integrated professional HR services, including: position classification, staff acquisition, payroll, processing, and recordkeeping, employee benefits, labor and employee relations, workers' compensation, and personnel security.

Pricing for the Above Activities

SSP utilizes many different cost methodologies in determining the customer prices. Some examples of its costs drivers include an FTE-Based methodology that incorporates the cost allocation of the FY 2015 FTE levels from the FY 2016 President's Budget Appendix. Another example is an Account Based methodology, whereby cost allocations are based on FY 2015 Budget Levels from the FY 2016 President's Budget Appendix. An example of a cost driver within the Account Based methodology is the average number of prior year Treasury Information Executive Repository (TIER) records from pay period 00 through pay period 12, FY 2012, 2013, and 2014. Another example would be the total number of NC4 locations for each customer (NC4 is the company that provides the NC4 Risk Center system, which allows the Treasury Operations Center to monitor Treasury facilities and personnel on a global scale). The Procurement Transaction cost methodology - cost allocation is based upon the number of Federal Procurement Database Next Generation (FPDNG) transactions from the FPDSNG for the most recent prior year. Also, some programs utilize the print job value-based cost methodologies - cost allocations based on the value of print jobs from a specific period of time. The usage-based cost methodologies - cost allocations is based on multiple usage cost drivers.

Determining charges for ARC services begins with a process similar to that used by appropriated agencies whereby labor and non-labor needs are identified for a future year within the budget formulation process. The formulated budget is then allocated to each service. These allocations are guided by existing organizational structure and management input. The overhead budgets are then allocated to the services based on each service's proportion of direct FTEs. Each Service Budget is then allocated to customers receiving that service based on each customer's percentage of total drivers. Drivers are the objective measure of effort defined specifically for each service. Each year, reserve requirements are calculated for each service line. These requirements are then compared to estimated actual reserves by service line. When differences are identified, the customers' costs by service are adjusted pro rata within each service line to reduce or eliminate projected differences. Fiscal Service Executive Management review pricing recommendations and provide the final approval of customer pricing.

Customers' Role in Governing the Treasury Franchise Fund

The Treasury Franchise Fund incorporates a governance process in which two governing bodies review, vet, and approve various shared services matters. The Financial Management Oversight Committee (FMOC) serves as a due diligence working group to perform preliminary reviews of new shared services. Reviews will be conducted prior to any new activities being considered and presented to the Shared Services Council (SSC). The FMOC will support and review Treasury Franchise Fund related matters for the Assistant Secretary for Management and SSC.

The FMOC may also review Treasury Franchise Fund procedures and policies that are for new shared services lines of business entering the Treasury Franchise Fund, which includes but is not limited to unique policies that are currently in existence in the Treasury Franchise Fund. In order to ensure that the customer perspective is accounted for in decision-making, there is a process in place by which Treasury and non-Treasury organizations can provide feedback and input into the Treasury Franchise Fund governance issues. Customer involvement and input will provide an opportunity for the SSC to obtain constructive feedback and ensure customer concerns are addressed.

Treasury Forfeiture Fund

FY 2017

President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

To affirmatively influence the consistent and strategic use of asset forfeiture by our participating agencies to disrupt and dismantle criminal enterprises.

The Treasury Executive Office for Asset Forfeiture (TEOAF) administers the Treasury Forfeiture Fund. The Treasury Forfeiture Fund (the Fund) is the receipt account for the deposit of non-tax forfeitures made pursuant to laws enforced or administered by participating Treasury and Department of Homeland Security agencies. The Fund was established in 1992 as the successor to the Customs Forfeiture Fund.

1.1 – Resource Detail Table

Dollars in Thousands

Treasury Forfeiture Fund Budgetary Resources	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
	Actual		Estimated		Estimated		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Interest	0	955	0	1,000	0	1,000	0	0	0	0.00%
Restored Temporary Rescission	0	836,000	0	944,000	0	876,000	0	(68,000)	0	-7.20%
Restored Sequestration	0	124,923	0	399,291	0	97,302	0	(301,989)	0	-75.63%
Forfeiture Revenue	0	4,632,791	0	485,909	0	413,000	0	(72,909)	0	-15.00%
Recovery from Prior Years	0	25,567	0	3,588,568	0	30,000	0	(3,558,568)	0	-99.16%
Unobligated Balances from Prior Years	0	144,147	0	97,184	0	157,131	0	59,947	0	61.68%
Total Revenue/Offsetting Collections		\$5,764,383		\$5,515,952		\$1,574,433		(\$3,941,519)		-71.46%
Expenses/Obligations										
Asset Forfeiture										
Mandatory Obligations ¹	25	4,302,751	25	481,159	25	450,000	0	(31,159)	0	-6.48%
Secretary's Enforcement Fund	0	21,157	0	65,560	0	30,000	0	(35,560)	0	-54.24%
Super Surplus Obligations	0	0	0	0	0	0 ²	0	0	0	N/A
Total Expenses/Obligations	25	\$4,323,908	25	\$546,719	25	\$480,000	0	(\$66,719)	0	-12.20%
Rescissions/Cancellations										
Sequestration Reduction	0	(399,291)	0	(97,302)	0	0 ³	0	97,302	0	-100.00%
Temporary Rescission	0	(944,000)	0	(876,000)	0	0	0	876,000	0	-100.00%
Permanent Cancellation	0	0	0	(3,800,000)	0	(657,000)	0	3,143,000	0	-82.71%
Appropriations Precluded from Obligation	0	0	0	(38,800) ⁴	0	(38,800)	0	0	0	0.00%
Total Rescissions/Cancellations		(\$1,343,291)		(\$4,812,102)		(\$695,800)		\$4,116,302		-85.54%
Net Results		\$97,184		\$157,131		\$398,633		\$241,502		153.69%

1. The Treasury Forfeiture Fund is staffed by Departmental Offices employees and positions are funded via reimbursable agreement.
2. Treasury is planning for a tentative \$100 million Super Surplus in FY 2017 and will submit a spend plan to Congress once more is known about actual collections and expenses. See pages 6-7 for additional details.
3. Treasury will calculate the FY 2017 sequestration reduction once the OMB Report to Congress on the Joint Committee Sequestration for Fiscal Year 2017 is released.
4. P.L. 114-113 cancelled \$3,800,000,000 of the \$3,838,800,000 forfeited in *United States v. BNPP, No. 14 Cr. 460 (S.D.N.Y.)*. Treasury is unable to obligate the remaining \$38,800,000 due to a provision in section 405, Title IV limiting the use of these funds.

1B – Vision, Priorities and Context

The Treasury Forfeiture Fund (the Fund) is the receipt account for the deposit of non-tax forfeitures made pursuant to laws enforced or administered by bureaus participating in the Fund. Special funds are federal fund collections that are earmarked by law for a specific purpose. The enabling legislation for the Treasury Forfeiture Fund (31 U.S.C. § 9705) defines those purposes for which Treasury forfeiture revenue may be used. In addition to the agencies listed below, the funds can be allocated to other law enforcement entities that do not have forfeiture authority, such as the Financial Crimes Enforcement Network (FinCEN), Federal Law Enforcement

Training Center (FLETC), and Alcohol & Tobacco Tax and Trade Bureau (TTB).

The principal revenue-producing member bureaus include the Internal Revenue Service's Criminal Investigation (IRS-CI), Customs and Border Protection (CBP), Immigration and Customs Enforcement (ICE), and the U.S. Secret Service (Secret Service). The latter three bureaus are part of the Department of Homeland Security pursuant to the Homeland Security Act of 2002. These member bureaus are joined by the U.S. Coast Guard, Department of Homeland Security, as a result of the longstanding close law enforcement relationship with CBP and ICE.

Vision: As the administrator for the Treasury Forfeiture Fund, TEOAF performs the following functions:

- Promotes the use of proceeds from asset forfeiture to fund programs and activities aimed at disrupting criminal enterprises and enhancing forfeiture capabilities;
- Manages revenue to cover the costs of asset forfeiture programs;
- Promotes the financial stability and vitality of the Fund;
- Identifies and addresses program risks.

TEOAF focuses on supporting cases and investigations that result in high impact forfeitures. This approach will have the greatest impact on criminal organizations and facilitate the ultimate mission of the Fund to disrupt and dismantle criminal enterprises. To this end, TEOAF prioritizes major case initiatives when allocating funding to member agencies, including the purchase of evidence and information, joint operations expenses, investigative expenses leading to seizure, and asset identification and removal teams.

Goals and Relationship to Departmental Goal: The goal of the Fund is to support the asset forfeiture programs of member law enforcement bureaus in a manner that results in federal law enforcement's continued and effective use of asset forfeiture as a high-impact law enforcement sanction to punish and deter criminal activity. "High impact" is defined as a cash forfeiture equal to or greater than \$100,000 in value.

The Fund supports Treasury Strategic Goal 4: *Safeguard the financial system and use financial measures to counter national security threats*. A primary feature of asset forfeiture as a criminal sanction is that it disrupts and dismantles criminal syndicates by removing their financial assets and viability. This feature of asset forfeiture relates to Treasury Strategic Objective 4.2: *Develop, implement, and enforce sanctions and other targeted financial measures*.

Priorities: Asset seizure and forfeiture is a priority for the Fund's participating law enforcement organizations and is linked directly to the National Money Laundering and Southwest Border Strategy. TEOAF has identified the following priorities for mission success:

- Continue to educate and focus stakeholders on the vision and mission of Treasury's multi-Departmental asset forfeiture program (i.e., affirmatively influence the consistent and strategic use of asset forfeiture by law enforcement bureaus participating in the Fund to disrupt and dismantle criminal enterprises);
- Focus resources in a manner that supports law enforcement's implementation of the National Money Laundering Strategy, Southwest Border Strategy, and counter-terrorism financing efforts;

- Use forfeiture resources to promote program excellence and strengthen the overall quality of criminal investigations led by participating law enforcement bureaus; and
- Develop and modify forfeiture training and awareness programs to be responsive to the current environment and continually re-evaluate training to incorporate best practices.

Context: The Fund continues to represent the forfeiture interests of law enforcement components of the Department of the Treasury and the Department of Homeland Security. In the midst of the budget constraints and policy changes, the Fund's law enforcement bureaus continue the difficult work of enforcing and applying asset forfeiture as a criminal sanction.

FY 2015: The Consolidated Appropriations Act of 2015 (P.L. 113-235) temporarily rescinded \$944 million of the Fund's unobligated balances. In addition, approximately \$399 million was sequestered from the Fund as part of the government-wide sequestration order. The Fund received collections from two major cases that contributed to total revenue of approximately \$4.6 billion. The proceeds were used to fund investigations, asset management, joint operations, remission and mitigation payments, equitable sharing, and the cancellation enacted by the Consolidated Appropriations Act, 2016 (P.L. 114-113).

FY 2016: P.L. 114-113 cancelled \$3.8 billion of the Fund's budget authority and temporarily rescinded \$876 million in unobligated balances. An estimated \$97 million will be sequestered from the Fund as part of the government-wide sequestration order. TEOAF forecasts another successful forfeiture program in FY 2016 with estimated revenue of \$487 million from forfeiture deposits and interest. This estimate does not account for ongoing investigations where TEOAF lacks sufficient information to project an outcome. TEOAF estimates \$481 million in mandatory authority expenses and \$66 million in Secretary's Enforcement Fund (SEF) expenses in FY 2016. SEF expenses are higher than previously estimated in the FY 2016 President's Budget due to a new case that is expected to result in a deposit of \$46 million.

FY 2017: TEOAF intends to maintain a dynamic and evolving asset forfeiture program that is responsive to the needs of member law enforcement bureaus. Treasury proposes a \$657 million permanent cancellation of unobligated balances and will provide regular updates to Congress on the Fund's balances. The Fund estimates \$414 million in revenue from forfeiture deposits and interest in FY 2017.

Super Surplus: Treasury proposes a \$100 million Super Surplus in FY 2017. The Super Surplus authority, established by Congress in 31 U.S.C. § 9705 (g)(4)(B), allows TEOAF to use unobligated balances to fund priority law enforcement initiatives once enough funds have been reserved for the next fiscal year's operating expenses. Since the Fund's establishment in 1992, the Super Surplus has been used to fund high priority information technology projects, multiyear criminal investigations, pilot programs, and urgent homeland security needs at no cost to taxpayers. The investigations funded by the Super Surplus bring criminals to justice and generate a significant share of the revenue used to pay for forfeiture program expenses, including the management of seized and forfeited assets.

Due to a shortage of resources, TEOAF was unable to declare a Super Surplus in FY 2015 and does not expect to in FY 2016. FY 2015 marked the first time in the Fund's 22 years history that

law enforcement was unable to rely on this funding source. Member agencies have less funding to sustain long-term investigations and have postponed several projects.

TEOAF intends to reverse this trend in FY 2017 by proposing a \$100 million in Super Surplus. A Super Surplus of this size would allow TEOAF to fund backlog of investigations, technology upgrades, and infrastructure projects at the member agencies. Provided funding is available, TEOAF will prioritize the following initiatives with the FY 2017 Super Surplus:

- Priority investigative areas at IRS-CI such as identity theft, as well as IT infrastructure upgrades to enhance investigative data analysis;
- Technology upgrades at ICE, specifically the Technical Operations division within Homeland Security Investigations (HSI), for operational support of investigations involving trade-based money laundering; computer/mobile forensics and cyber investigation capabilities, and initiatives supporting major financial investigations;
- On-going efforts at CBP to strengthen outbound monitoring infrastructure, as well as enhancing Border Patrol capabilities and upgrades of seizure vaults; and
- Secret Service network intrusion and cybercrime investigations.

If funding is available, Treasury will submit a Super Surplus plan to Congress in accordance with 31 U.S.C. § 9705.

Section 2 – Budget Adjustments and Appropriation Language

2.2 – Operating Levels Table

Dollars in Thousands

Treasury Forfeiture Fund	FY 2015	FY 2016	FY 2017
Object Classification	Actual	Estimated	Estimated
25.2 - Other services	53,327	38,270	40,600
25.3 - Other purchases of goods & serv frm Govt accounts	164,212	109,344	116,000
41.0 - Grants, subsidies, and contributions	4,106,369 ¹	399,105	323,400
Total Non-Personnel	4,323,908	546,719	480,000
Total Budgetary Resources	\$4,323,908	\$546,719	\$480,000
Budget Activities:			
Asset Forfeiture Fund	4,323,908	546,719	480,000
Total Budgetary Resources	\$4,323,908	\$546,719	\$480,000

FTE 25 25 25

1. The \$3.589 billion obligated in FY 2015 for victim's compensation related to the BNP Paribas case was permanently cancelled by P.L. 114-113, which increased recoveries in FY 2016, as shown in Table 1.1.

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p>DEPARTMENT OF THE TREASURY TREASURY FORFEITURE FUND</p> <p>Of the unobligated balances available under this heading, [\$700,000,000]\$657,000,000 are [rescinded]<i>hereby permanently cancelled not later than September 30, 2017.</i> (Department of the Treasury Appropriations Act, 2016.)</p>	<p>The addition of “not later than September 30, 2017” will allow Treasury to manage the timing of the reduction and help prevent cash flow disruptions.</p>

2C – Legislative Proposals

The Fund has no legislative proposals for FY 2017.

Section 3 – Budget and Performance Plan

3A – Asset Forfeiture Fund

(\$480,000,000 in obligations from revenue/offsetting collections):

The function of the Fund is to ensure resources are managed to cover the costs of an effective asset seizure and forfeiture program, including the costs of seizing, evaluating, inventorying, maintaining, protecting, advertising, forfeiting, and disposing of property. The goal owner for this budget activity is the Director of TEOAF.

The Treasury Forfeiture Fund is special fund with permanent indefinite budget authority. Special fund collections are earmarked by law for a specific purpose. The enabling legislation for the Fund (31 U.S.C. § 9705) defines those purposes for which the Fund's revenue may be used. Revenue deposited to the Fund can be allocated and expended as the result of the permanent indefinite appropriation provided by Congress.

The forfeiture process begins once currency or property is seized. Seized currency is deposited into a suspense account (holding account) until forfeited. At that time, the proceeds are transferred (deposited) to the Fund as revenue. Forfeited property is usually sold and the proceeds are also deposited into the Fund as revenue. This revenue composes the budget authority for meeting the obligations and expenses of the program. Expenses of the Fund are set in a relative priority so that operating costs are met first and may not exceed revenues.

Spending Authorities:

Mandatory authority is generally used for operating expenses, including storing and maintaining seized and forfeited assets, liens and mortgages, investigative expenses incurred in seizure, information and inventory systems, remissions, victim restoration, and certain costs of local police agencies incurred in joint law enforcement operations. Following seizure, equitable shares are paid to state and local law enforcement agencies that contributed to the seizure activity at a level proportionate to their involvement, as required by the enabling legislation.

Secretary's Enforcement Fund (SEF) authority is derived from equitable shares received from the Department of Justice (DOJ) or U.S. Postal Service (USPS) forfeitures. These shares represent Treasury's participation in investigative efforts that result in forfeiture. SEF revenue is available to member agencies for any federal law enforcement purpose.

Super Surplus (SS) authority represents the remaining unobligated balance at the close of the fiscal year after an amount is reserved for the Fund's operations in the next fiscal year. This balance can be used for any federal law enforcement purpose.

Description of Performance Measure:

The Fund continues to track the performance of the participating law enforcement bureaus by measuring the percentage of forfeited cash proceeds from high impact cases, which are cases that result in a cash forfeiture deposit of \$100,000 or more.

Focusing on strategic cases and investigations that result in high impact forfeitures will do the greatest damage to criminal organizations while accomplishing the ultimate objective to disrupt and dismantle criminal activity. Member law enforcement bureaus participating in the Fund have met or exceeded the performance target in nine of the eleven fiscal years since the measure was established in FY 2002. As a result, TEOAF increased the target from 75 percent in FY 2010 to 80 percent beginning in FY 2011. The Fund maintains a target of 80 percent, recognizing that some otherwise high priority cases may not produce a forfeiture of \$100,000.

In FY 2015, the member bureaus exceeded the target 80 percent by more than 18 percentage points. The target has been set at 80 percent for FY 2016 and FY 2017.

3.1.1 – Asset Forfeiture Fund Budget Activity Budget and Performance Plan

Dollars in Thousands

Asset Forfeiture Fund Budget Activity								
Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Expenses/Obligations	\$852,078	\$590,415	\$527,417	\$908,113	\$787,849	\$4,323,908	\$546,719	\$480,000
Budget Activity Total	\$852,078	\$590,415	\$527,417	\$908,113	\$787,849	\$4,323,908	\$546,719	\$480,000

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Percent of Forfeited Cash Proceeds Resulting from High-Impact Cases (%)	93.11	91.44	76.38	95.01	86.73	80.00	98.25	80.0	80.0

Key: DISC - Discontinued

Section 4 – Supplemental Information

4A – Summary of Capital Investments

TEOAF is a component of the Departmental Offices (DO) and is included in the DO capital investment plan.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at: <http://www.treasury.gov/about/budget-performance/pages/summary-of-capital-investments.aspx>.

This website also contains a digital copy of the plan.

Bureau of Engraving and Printing

FY 2017
President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

To develop and produce United States currency notes trusted worldwide.

1.1 – Resource Detail Table

Dollars in Thousands

Bureau of Engraving and Printing	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
Budgetary Resources	Actual		Estimated		Estimated		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Other Income										
Federal Reserve Notes	0	617,364	0	848,940	0	836,335	0	(12,605)	.00	-1.48%
Other Security Products	0	3,000	0	5,000	0	5,000	0	0	.00	N/A
Currency Reader Program	0	16,125	0	10,000	0	5,000	0	(5,000)	.00	-50.00%
Total Revenue/Offsetting Collections		636,489		863,940		846,335		(17,605)		-2.04%
Expenses/Obligations										
Manufacturing										
Direct Manufacturing	576	374,092	764	521,624	764	512,124	0	(9,500)	N/A	-1.82%
Indirect Manufacturing	1,224	262,397	1,160	342,316	1,160	334,211	0	(8,105)	N/A	-2.37%
Total Expenses/Obligations	1,800	636,489	1,924	863,940	1,924	846,335	0	(17,605)	N/A	-2.04%
Net Results		0		0		0		0		N/A

1B – Vision, Priorities and Context

The Bureau of Engraving and Printing produces US currency notes ordered by the Federal Reserve Board. The Bureau began printing currency in 1862 and operates on the basis of authority conferred upon the Secretary of the Treasury by 31 U.S.C. 321(a) (4) to engrave and print currency and other security documents. Operations are financed through a revolving fund established in 1950 in accordance with Public Law 81-656. This fund is reimbursed for direct and indirect costs of operations, including administrative expenses, through product sales. In 1977, Public Law 95-81 authorized the Bureau to include an amount sufficient to fund capital investment and to meet working capital requirements in the prices charged for products, eliminating the need for appropriations from Congress.

The Bureau also provides technical assistance and advice to other Federal agencies in the design and production of documents which require counterfeit deterrent features, due to their innate value or other characteristics. Other activities at the Bureau include engraving plates and dies; manufacturing inks used to print security products; purchasing materials, supplies and equipment; and storing and delivering products in accordance with customer requirements.

The mission of the BEP is to develop and produce United States currency notes, trusted worldwide, in support of Treasury’s strategic objective of “Facilitate commerce by providing trusted U.S. currency, services, and products for the American public and enterprises.”

United States currency is used globally and as its designer and manufacturer BEP needs to achieve and maintain best in class practices in order for it to be accepted worldwide.

After years of research and development of cutting edge technologies, BEP is producing a new \$100 note that includes some of the most advanced counterfeit design features found anywhere in the world. This achievement requires the focus and determination of the entire agency and is indicative of the challenges that lie ahead, reconfirming the BEP's in its commitment to stay ahead of increasingly sophisticated counterfeiters.

FY 2017 Priorities

Banknote Design and Development:

There are two main components of currency redesign: Technical and Aesthetic. The primary technical goals in the redesign of U.S. currency are to: Ensure that U.S. currency employs unique and technologically advanced features to deter counterfeiting; facilitate the public's use and authentication; provide accessibility and usability and maintain public confidence. The aesthetic goals in the redesign of U.S. currency are to institutionalize our American history by depicting people, monuments, symbols and concepts that reflect the past and reinforce a theme for that particular era of currency design.

In 2017, BEP will continue working with the Advanced Counterfeit Deterrent (ACD) Steering Committee to research and develop future currency designs for the next family of redesigned notes that will enhance and protect U.S. currency notes.

Meaningful Access:

Work continues in FY 2017 on the goal of enabling the Nation's currency to better serve domestic and international users. BEP is following two project paths to provide meaningful access for the blind and visually impaired, a Currency Reader (A currency reader is an electronic assistive device that can identify a note's value and communicate it to the user) as well as a Raised Tactile Feature (RTF) that will be on future notes.

A U.S. Currency Reader pilot program was concluded on Dec. 31, 2014, with more than 17,000 currency readers ordered under the pilot program. On January 2, 2015, a national rollout of the program was launched. To date, more than 34,000 Currency Readers have been ordered. BEP is working with the Library of Congress' National Library Services (NLS) for distribution of the readers. Additionally, a questionnaire was developed and cleared by OMB that enables BEP to gather user data on the currency readers. BEP's Voice of the Customer Questionnaire includes questions on: habits before and after use in various situations; frequency of use; convenience; use of other devices; suggested improvements; as well as plans for continued use. The questionnaire was initially disseminated during the American Council of the Blind (ACB) and National Federation of the Blind (NFB) conferences in July 2015.

In addition to the reader program, the Bureau will be incorporating raised tactile features (RTF) into the next redesign of currency that will enable users to denominate US currency by touch, assisting every American to better denominate currency. BEP expects to begin issuing a new \$10 note in 2020 that will include a tactile feature that increases accessibility for the visually impaired. The \$10 note was selected for redesign based on a number of factors and with guidance from the Advanced Counterfeit Deterrence (ACD) Steering Committee, an inter-agency group established to monitor and communicate counterfeit deterrence issues and

dedicated to maintaining and ensuring the integrity of U.S. currency. While many factors were taken into consideration, the primary reason for redesigning currency is to address current and potential counterfeiting threats. In addition to the tactile feature, the new the new \$10 note will feature new design aspects and a portrait of a woman. Throughout 2017, testing and refinement of features will continue to determine which processes and potential features work best at the production volumes needed for U.S. currency. BEP will also continue its efforts to research and develop features that will enhance future note designs, working with National and Federal Laboratories and Research Centers to expand our outreach to identify new technologies that may be used in feature development.

Retooling:

BEP is in the process of a multi-year effort to retool BEP's manufacturing processes with state-of-the-art intaglio printing presses, electronic inspection systems, and finishing equipment. The successful implementation of this advanced technology will improve productivity, reduce environmental impact, and enhance counterfeit deterrence of U.S. currency. During 2016 and 2017 plans include:

In millions	<u>2016</u>	<u>2017</u>
Intaglio Presses (4) WCF*	\$60	\$20
Large Examining and Printing Equipment (LEPE) systems (3) WCF	\$49	\$28
Cutting and Packaging Systems for sheet reclamation (1) DCF* (1) WCF	\$0	\$12
Plating line and Plasterota (1) WCF	\$0	\$10
Cash Pak Machine (1) DCF (1) WCF	\$0	\$4
QED 2 Phase 1 and follow on (3) DCF (4) WCF	\$0	\$12
Currency Sheet Accountability System (1) WCF	\$0	\$9
Online Inspection machines (3) DCF (4) WCF	\$13	\$16
	\$122	\$111

* Western Currency Facility (WCF) Washington, DC Facility (DCF)

BEP Workforce:

Throughout 2017, the Bureau will continue to develop, execute, and communicate the results of Employee Engagement Plans and the FEVS annual survey results. In addition to implementing BEP Human Capital Plan initiatives, efforts will continue to fill gaps in needed STEM skill sets to support our Currency Quality Assurance (CQA) efforts in addition to adding resources in technology development and feature testing areas.

Currency Quality Assurance (CQA) Program:

BEP has partnered with the Federal Reserve Board to reinvent its quality management program based on best practices of leading manufacturers. The Bureau, in collaboration with its stakeholders, developed a robust CQA program that began in 2014 and will continue to mature in 2017. This re-invention has moved BEP to a proactive approach of building quality into production processes. Every BEP work activity was aligned and will be resourced to support this integrated, collaborative, and rigorous quality assurance program that focuses on every step of the supply chain from raw material, through the manufacturing process steps to final packaging and delivery. CQA reaches into nearly every "corner" of the BEP organization and its effectiveness depends on a strong cadre of process and production engineers, quality assurance specialists and other specialists in related science and engineering disciplines.

Replacement Production Facility:

Work on the replacement production facility is going forward; in May 2015 a site selection evaluation contract was awarded. In 2016 BEP will award both a construction management administrative support contract and a facility design programming contract. Efforts are also underway in FY 2016 to narrow down the possible site selections to the top 3 for further evaluation. The new production facility building is projected to be completed in the 2022 timeframe, with the new facility fully operational by 2025; however this is subject to change as the project evolves. BEP plans to be transparent and communicate activity and resulting changes to the workforce on a regular basis.

FY 2016 Priorities

The importance of producing and delivering currency of consistently high quality, note after note, cannot be overstated. Throughout 2016, testing and refinement of proposed raised tactile features are priorities to determine which processes and potential features work best at full production speed and volumes needed to produce U.S. currency.

BEP's Currency Quality Assurance (CQA) program successfully implemented a risk-based, operationally focused internal quality auditing program in addition to improving product and procedural plant-to-plant consistency.

Key Accomplishments

During 2016, BEP acquired equipment that will enable the addition of tactile features to U.S. currency as well as continue the multi-year effort to retool BEP's manufacturing processes with state-of-the-art intaglio printing press, electronic inspection systems, and finishing equipment. The successful implementation of this advanced technology will improve productivity, reduce environmental impact, and enhance counterfeit deterrence of U.S. currency.

BEP disseminated a Voice of the Customer survey to over 300 individuals who received an iBill currency reader. The questionnaire included questions on: habits before and after use in various situations; frequency of use; convenience; use of other devices; suggested improvements; as well as plans for continued use. Approximately 90% of respondents believe the iBill currency reader they received is easy, convenient, useful, and successfully meets their needs. Metrics show that most prefer to use the reader at home. Based on customer feedback, BEP believes that the U.S. Currency Reader program has proven to be a successful initiative in providing visually impaired persons with a means to independently denominate U.S. currency.

BEP continued to make progress on enhancing its cybersecurity posture. The bureau reduced the number of Personal Identity Verification privileged users, and focused on implementing least privileged access i.e., further restricted privileged access based on individual's role and the specific access required.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Bureau of Engraving and Printing	FTE	Materials	Operating & Capital	Total
FY 2016 Estimate	1,924	\$292,250	\$571,690	\$863,940
Changes to Base				
Maintaining Current Levels (MCLs)	0	\$0	\$9,395	\$9,395
Pay-Raise	0	\$0	\$2,404	\$2,404
Pay Annualization	0	\$0	\$799	\$799
Non-Pay	0	\$0	\$6,192	\$6,192
Efficiency Savings	0	\$0	(\$2,000)	(\$2,000)
Reduction in Overtime	0	\$0	(\$2,000)	(\$2,000)
Subtotal Changes to Base	0	\$0	\$7,395	\$7,395
Total FY 2017 Base	1,924	\$292,250	\$579,085	\$871,335
Program Changes				
Program Decreases	0	\$0	(\$25,000)	(\$25,000)
Currency Reader	0	\$0	(\$5,000)	(\$5,000)
DCF Production Facility Replacement	0	\$0	(\$10,000)	(\$10,000)
Reduction in Retooling	0	\$0	(\$10,000)	(\$10,000)
Subtotal Program Changes	0	\$0	(\$25,000)	(\$25,000)
Total FY 2017 Request	1,924	\$292,250	\$554,085	\$846,335

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)+\$9,395,000 / +0 FTE

Pay-Raise +\$2,404,000 / +0 FTE

Funds are required for the proposed January 2017 pay-raise and the annualization of the 2016 pay-raise.

Pay Annualization +\$799,000 / +0 FTE

Funds are required for annualization of the January 2016 pay-raise.

Non-Pay +\$6,192,000 / +0 FTE

Funds are required for non-labor costs such as travel, contracts, rent, and equipment.

Efficiency Savings-\$2,000,000 / +0 FTE

Reduction in Overtime -\$2,000,000 / +0 FTE

As out of date equipment is replaced with equipment that is more efficient, less down time, and new technology, reliance on overtime will be reduced.

Program Decreases-\$25,000,000 / +0 FTE

Currency Reader -\$5,000,000 / +0 FTE

As the Currency Reader distribution program continues to evolve from its 2015 release and downloadable applications (apps) and image recognition technology becomes more commonplace, BEP expects demand for currency readers to be reduced in FY 2017.

DCF Production Facility Replacement -\$10,000,000 / +0 FTE

The initiative was requested in 2016 to fund a Project Management contract(s) to develop site surveys, environmental impact analysis, local infrastructure assessment, local economic

development, architectural renderings. Additional follow on contractual activities, i.e., facility design are expected in FY 2017.

Reduction in Retooling -\$10,000,000 / +0 FTE

BEP's retooling needs for FY 2017 are not as large as FY 2016 therefore 2017 funds for this initiative are reduced. Retooling is a multi-year project that replaces older, fully depreciated production equipment. Replacing out of date equipment on a regular basis allows BEP to be more quality and cost effective and efficient in meeting customer requirements for the production of currency notes. New equipment is typically more energy efficient, eco-friendly and machine down time is reduced. In addition, new equipment acquired by BEP has the technical capability of producing the next generation of advanced counterfeit deterrence features for future design enhancements.

2.2 – Operating Levels Table

Dollars in Thousands

Bureau of Engraving and Printing Object Classification	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
11.1 - Full-time permanent	174,100	175,357	177,560
11.3 - Other than full-time permanent	210	200	150
11.5 - Other personnel compensation	2,450	2,250	2,050
11.6 - Overtime	16,700	17,000	15,000
11.9 - Personnel Compensation (Total)	193,460	194,807	194,760
12.0 - Personnel benefits	54,957	51,000	51,500
Total Personnel Compensation and Benefits	\$248,417	\$245,807	\$246,260
21.0 - Travel and transportation of persons	1,000	1,450	1,450
22.0 - Transportation of things	250	250	250
23.1 - Rental payments to GSA	2,000	2,000	2,000
23.2 - Rental payments to others	1,000	1,000	1,000
23.3 - Communication, utilities, and misc charges	9,050	14,350	14,350
24.0 - Printing and reproduction	150	250	250
25.1 - Advisory and assistance services	2,250	3,500	3,500
25.2 - Other services	25,222	121,673	110,865
25.4 - Operation and maintenance of facilities	5,500	8,500	8,500
25.5 - Research and development contracts	3,700	7,000	7,000
25.7 - Operation and maintenance of equip	6,250	11,900	11,900
26.0 - Supplies and materials	294,400	292,250	300,000
31.0 - Equipment	37,125	153,750	138,750
42.0 - Insurance claims and indemnities	175	260	260
Total Non-Personnel	388,072	618,133	600,075
Total Budgetary Resources	\$636,489	\$863,940	\$846,335
Budget Activities:			
Manufacturing	636,489	863,940	846,335
Total Budgetary Resources	\$636,489	\$863,940	\$846,335
FTE	1,800	1,924	1,924

2B - Appropriations Language and Explanation of Changes

The Bureau of Engraving and Printing receives no appropriated funds from Congress.

2C – Legislative Proposals

The Bureau of Engraving and Printing has no legislative proposals for FY 2017.

Section 3 – Budget and Performance Plan

3A – Manufacturing

(\$846,335,000 from expenses/obligations):

The BEP has one budget activity: Manufacturing. This budget activity supports all of BEP's strategic goals.

Description of Performance

Manufacturing Costs for Currency (dollar cost per 1,000 notes produced) is an indicator of manufacturing efficiency and effectiveness of program management. This measure is based on contracted price factors and anticipated productivity improvements, as well as the mix of denominations ordered year to year. As more sophisticated counterfeit deterrent design features are produced, paper and ink costs increase, resulting in increased total manufacturing costs. Actual performance against standard cost depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals. In order to meet this measure, costs and other standard manufacturing performance metrics are tracked at each stage of production and corrections are made on the shop floor. In addition, production and quality metrics are discussed on a monthly basis at the executive level and corrective action plans are developed. In 2015 the cost of manufacturing was lower than anticipated, as the actual result realized for this measure was \$42.35 per 1,000 notes produced against a target of \$54.00. The performance goals for both FY 2016 and FY 2017 will continue to reflect the high cost of redesigned \$100 notes as a proportion of the total annual order; however, due to productivity improvements BEP is able to reduce the target to \$50.00 per 1,000 notes produced for both 2016 and 2017.

Percent of currency notes returned due to defects is an indicator of the Bureau's ability to provide a quality product. All notes delivered to the Federal Reserve go through rigorous quality inspections during the manufacturing process. In addition, notes are inspected a final time using the same inspection systems used at the Federal Reserve Banks. These inspections ensure that all counterfeit deterrent features, both overt and covert, are functioning as designed. BEP's FY 2015 target for this performance metric is .0001 percent, and the actual result realized for this measure was .0000003 percent. BEP's target for this performance metric will be held constant at .0001 percent for FY 2016 and FY 2017.

BEP's Best Places to Work in Federal Government Ranking is based on the results of the Partnership for Public Service data on three questions in the Federal Employee Viewpoint Survey. This survey is sent annually to all Federal employees seeking their opinion on their organization's leadership and programs relating to fairness, employee empowerment and recognition. BEP's 2015 rank was 74 out of 320. The Bureau continues to sponsor activities and encourage employee engagement by contributing ideas and participation in events, which are aimed at improving the work environment for all employees. FY16 metrics are not yet available; however BEP will continue to target achievement of an improvement in rank.

Reduction in Regulated Waste (Pounds of waste per 1000 notes delivered of regulated air emissions, wastewater, and solid waste combined) is a quantitative indicator of the effectiveness of BEP environmental programs, which are assessed through the BEP ISO 14001 certified Environmental Management System (EMS). This reflects the maturation of the EMS as well as

the Bureau's commitment to continually improve its Environmental Health and Safety (EHS) performance, as both of the Bureau's manufacturing facilities received unconditional recertification to the ISO 14001 standard in FY 2015. BEP's FY 2015 performance of 27.3 pounds of regulated waste for this metric was against a target of 30 pounds per 1000 notes delivered. BEP's target for this performance metric will be held constant at 30 pounds per 1000 notes delivered for FY 2016 and FY 2017.

Lost Time Accident Rate per 100 Employees measures the Bureau's ability to reduce injuries and illnesses in the workplace. BEP's key performance indicator is the annual Occupational Safety and Health Administration's (OSHA) reportable lost time case rate and number of lost workdays. In 2015 BEP's lost time case rate was 1.65 against a target of 1.8 cases per 100 employees. The Bureau remains committed to improving the safety of its employees, and conducts an analysis to determine the root cause of any injury and seeks to identify best practices in safety. BEP will continue to allocate resources to have the greatest impact on preventing future injuries. BEP's target for this performance metric will be held constant at 1.8 per 100 employees for FY 2016 and FY 2017.

3.1.1 – Manufacturing Budget and Performance Plan

Dollars in Thousands

Manufacturing Budget Activity

Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Expenses/Obligations	\$555,000	\$517,750	\$630,000	\$645,150	\$733,208	\$636,489	\$863,940	\$846,335
Budget Activity Total	\$555,000	\$517,750	\$630,000	\$645,150	\$733,208	\$636,489	\$863,940	\$846,335

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Best Places to Work in Federal Government Ranking	N/A	174	178	47	51	74	99	99	99
Lost Time Accident Rate per 100 Employees	N/A	1.4	1.9	1.63	1.73	1.65	1.6	1.8	1.8
Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced)	44.85	34.6	43.34	50.45	44.22	42.35	55.0	50.0	50.0
Percent of Currency Notes Delivered Returned Due to Defects	N/A	.0	.0	.466	.00001	.0000003	.0001	.0001	.0001

Key: DISC - Discontinued

Section 4 – Supplemental Information

4A – Summary of Capital Investments

The Bureau of Engraving and Printing's (BEP) capital investment strategy is comprised of several broad investment categories with more specific smaller projects in each category.

The Bureau's mission to develop and produce U.S. Currency notes, trusted worldwide, demands that BEP continually update and improve its manufacturing processes by investing in new technologies and innovations. The Bureau's retooling project replaces older, fully depreciated production equipment. Replacing out of date equipment allows BEP to be more quality and cost effective and efficient in meeting customer requirements for the production of currency notes. In addition, the Bureau is focused on building the capability to produce new currency designs with tactile features to provide meaningful access to US currency for the blind and visually impaired.

BEP participates as a partner in significant Treasury-wide enterprise level investments such as Homeland Security Presidential Directive-12, HRConnect (a Human Resources Line of Business service provider) and the Treasury Learning Management System (TLMS).

The Bureau's IT portfolio includes a 'cloud first' approach to implementing business systems. The Oracle eBusiness Suite is an integrated manufacturing suite which runs at the Oracle Corporation's "Federal on Demand" Shared Service Center in Austin, Texas.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded here:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

United States Mint

FY 2017

President's Budget

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

Serve the American people by manufacturing and distributing circulating, precious metal, and collectible coins and national medals, and providing security over assets entrusted to us.

1.1 – Resource Detail Table

Dollars in Thousands

United States Mint	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
Budgetary Resources	Actual		Estimated		Estimated		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Other Income										
Circulating	0	1,114,050	0	1,127,500	0	1,162,000	0	34,500		3.0%
Bullion/Numismatic	0	2,579,284	0	2,275,507	0	2,281,193	0	5,686		.2%
Total Revenue/Offsetting Collections		3,693,334		3,403,007		3,443,193		40,186		1.2%
Expenses/Obligations										
Manufacturing										
Circulating	941	573,142	1,068	753,014	1,068	768,614	57	15,600		2.0%
Bullion/Numismatic	710	2,364,411	806	2,143,193	806	2,187,593	43	44,400		2.0%
Total Expenses/Obligations	1,651	2,937,553	1,874	2,896,207	1,874	2,956,207	100	60,000		2.0%
Net Results		755,781		506,800		486,986		-19,814		-4.1%

Coin Shipments (Units In Millions/Coins)	FY 2015	FY 2016	FY 2017	% Change
Circulating:				
One Cent	9,155	9,250	9,700	4.9%
5-Cent	1,477	1,400	1,500	7.1%
Dime	2,874	2,900	2,900	0.0%
Quarter	2,645	2,700	2,800	3.7%
Half-Dollar	-	-	-	0.0%
Dollar	-	-	-	0.0%
Total Circulating	16,151	16,250	16,900	4.0%

Budget Category	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated	% Change
Administrative Operating Costs	332,757	\$405,739	\$405,707	-0.01%
Capital Investments	\$29,311	\$30,468	\$40,500	32.9%
Metals and Materials Costs	\$2,575,485	\$2,460,000	\$2,510,000	2.0%
Total Resources	\$2,937,553	\$2,896,207	\$2,956,207	2.1%

1B – Vision, Priorities and Context

The United States Mint (Mint) manufactures and distributes domestic circulating coinage, bullion coin products, numismatic coinage, and national medals in the most effective and efficient manner possible. In addition, the Mint provides security for assets, including the government's reserves of gold and silver bullion, coins, and coinage metals. The Mint supports the Department of the Treasury's strategic objectives to facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public (1.4); promoting the efficient use of resources through shared services, strategic sourcing, streamlined business processes, and accountability (5.3); and creating a culture of service through the relentless pursuit of customer value (5.4).

Vision

The Mint's vision is to become the finest mint in the world, through excellence in its people, products, customer service, and workplace. The Mint has the following four strategic goals to help it fulfill its vision and mission: 1) meet the Nation's need for circulating coins, 2) meet public demand for United States bullion coins, 3) responsibly expand the numismatic program, and 4) foster a safe, engaged, and innovative workforce.

FY 2017 Priorities

- i. Circulating Program -- Efficiently and effectively mint and issue approximately 16.9 billion circulating coins in Fiscal Year (FY) 2017 to meet the needs of the United States.
- ii. Numismatic Program:
 - a. Bullion Products – Mint and issue bullion coins to meet customer demand efficiently and effectively.
 - b. Other Numismatic Products – Produce and distribute numismatic products in sufficient quantities, through appropriate channels, to make them accessible, available, and affordable to people who choose to purchase them. Design, strike, and prepare for the presentation of Congressional Gold Medals.

Context

The Mint operations are funded through the Mint Public Enterprise Fund (PEF), as codified at 31 U.S.C. § 5136. The Mint generates revenue through the sale of circulating coins to the Federal Reserve Banks (FRB), numismatic products to the public, and bullion coins to authorized purchasers. All circulating and numismatic operating expenses, and capital investments incurred for the Mint's operations and programs, are paid out of the PEF. By law, all funds in the PEF are available without fiscal year limitation. Revenues determined to be in excess of the amount required by the PEF are transferred to the United States Treasury General Fund as non-budgetary amounts or capital transfers. Non-budget amounts consist of seigniorage (the net income from circulating operations) which in the Federal budget is used to reduce the government's need to borrow. The net income from numismatic program operations, including bullion coin program operations, is recorded as budgetary offsetting collections in the Federal budget, and is available to be used to fund other Federal Government operations and programs.

The Mint's budget collections and outlays reflect the demand for, and sales of, circulating coins and numismatic products. In accordance with the PEF statute, proceeds from sales provide the Mint's funding source, fully covering budget outlays, which adjusts as the necessary resources are engaged to fulfill prevailing demand. The vast majority (approximately 85 percent in FY 2017) of planned budget outlays are for procurement of metals and materials for conversion into finished goods. Accordingly, each fiscal year's budget outlays principally reflect the production volumes that correspond to prevailing demand, as well as raw material costs driven by prices on open commodities markets. The economic environment can significantly affect the Mint's budget outlays by influencing these two external factors.

Circulating

The FY 2017 circulating coin production projections are based on current economic data and forecasts of FRB coin orders. Circulating coin production for FY 2017 is forecasted at 16.9 billion coins. This level reflects increases in all coin denomination shipments in FY 2017 as compared to 16.2 billion shipped in FY 2015, which was an increase of 24 percent over FY 2014. A notable increase in quarter-dollar coin shipments of 57 percent increased the amount of seigniorage generated by this denomination in FY 2015.

Circulating financial performance continues to be affected by the costs of the inputs for producing the coinage. Since FY 2006, commodity prices for copper, nickel, and zinc have been at levels at which costs of the one-cent coins (pennies) and 5-cent coins (nickels) have exceeded their face value. The Mint expects the costs of these commodities to remain at levels that result in continued losses from issuing pennies and nickels to the FRBs at face value. Positive seigniorage from minting and issuing dime and quarter-dollar coins has fully offset the losses the Mint incurs from minting and issuing pennies and nickels.

Research and development of alternative metallic materials for circulating coinage supports Treasury's progress in the strategic objective to facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public (1.4). The Coinage Modernization, Oversight and Continuity Act of 2010 (Public Law 111-302) requires a biennial report to Congress on the Mint's production costs and analysis of the research into alternatives. The final report is due to Congress in December 2016.

Numismatic Program

The numismatic program, which includes bullion coins, is designed to prepare and distribute premium products to collectors and those who desire quality versions of coinage. Numismatic products are priced to cover metal and production costs. The Mint has implemented strategies such as the implementation of a new order management system to increase the program's efficiency and effectiveness while controlling costs and keeping prices as low as practicable.

Bullion Coins

The bullion coin program provides the public a means to acquire precious metal coins from authorized purchasers as part of an investment portfolio. Investors purchase bullion coins not only for their intrinsic metal value, but also because the United States guarantees each coin's metal weight, content, and purity. The main objective of the bullion coin program is to meet demand and ensure that the program recovers its costs.

In FY 2015, the bullion coin program revenue and net income increased 17 percent. This is the result of an increase in demand for both gold and silver bullion products. In FY 2016, bullion demand is expected to decline to 43.7 million ounces from the 49.7 million ounces sold in FY 2015, and continue to decrease to 40.7 million ounces in FY 2017. FY 2017 gold and silver prices are forecasted to increase by four percent and seven percent, respectively. The forecasted increase in metal prices will help offset the decrease in forecasted demand. As a result, bullion revenue is forecasted at \$1.8 billion in FY 2016 and expected to remain at that level in FY 2017.

The Mint, as the world's largest producer of gold and silver bullion coins, employs precious metal purchasing strategies that minimize the financial risk that can arise from adverse market price fluctuations.

Numismatic (Collector Coins and Medals)

The numismatic (collector coins and medals) program provides high-quality versions of circulating coinage, precious metal coins, commemorative coins, and medals for sale to the public. The priorities for this program are to increase the customer base and foster sales while controlling costs and keeping prices as low as practicable. Most of the Mint's recurring products, such as the uncirculated coin sets and proof sets, are required by Federal statute. Others, such as commemorative coins and Congressional Gold Medals, are required by individual public laws.

FY 2015 revenue decreased by 10 percent to \$453 million from \$504 million in FY 2014. The decrease was driven primarily by eight percent and 20 percent decreases, respectively, in gold and silver prices, as well as a five percent decrease in total units sold, from 5.7 million in FY 2014 to 5.4 million in FY 2015. In FY 2016 and FY 2017, the numismatic budget includes a maximum sales level of 5.5 million each year. FY 2016 and FY 2017 revenues are projected to be \$467 million and \$482 million, respectively.

Section 2 – Budget Adjustments and Appropriation Language

The Mint's FY 2017 budget request includes resource requirements for increased circulating coin demand. Circulating coin production for FY 2016 is forecasted at 16.3 billion, a slight increase over the 16.2 billion coins shipped in FY 2015. FY 2017 is forecasted to moderately increase to 16.9 billion.

2.1 – Budget Adjustments Table

Dollars in Thousands

United States Mint	FTE	Materials	Operating & Capital	Total
FY 2016 Estimate	1,774	\$3,171,100	\$424,207	\$3,595,307
Adjustments to Estimate	100	(\$711,100)	\$12,000	(\$699,100)
Labor and Overhead Due to Forecasted Increase in Circulating Coin Production	100	\$0	\$12,000	\$12,000
Metal Due to Forecasted Decrease in Numismatic and Bullion Coin Production	0	(\$711,100)	\$0	(\$711,100)
FY 2016 Revised Estimate	1,874	\$2,460,000	\$436,207	\$2,896,207
Changes to Base				
Maintaining Current Levels (MCLs)	0	\$0	\$6,791	\$6,791
Pay-Raise	0	\$0	\$2,079	\$2,079
Pay Annualization	0	\$0	\$691	\$691
Non-Pay	0	\$0	\$4,021	\$4,021
Efficiency Savings	0	\$0	(\$6,791)	(\$6,791)
Absorb MCLs	0	\$0	(\$6,791)	(\$6,791)
Subtotal Changes to Base	0	\$0	\$0	\$0
Total FY 2017 Base	1,874	\$2,460,000	\$436,207	\$2,896,207
Program Changes				
Program Increases	0	\$50,000	\$10,000	\$60,000
Capital Limit Increase	0	\$0	\$10,000	\$10,000
Metal Due to Forecast Increase in Circulating Coin Production	0	\$40,000	\$0	\$40,000
Metal Due to Forecast Increase in Numismatic and Bullion Coin Production	0	\$10,000	\$0	\$10,000
Subtotal Program Changes	0	\$50,000	\$10,000	\$60,000
Total FY 2017 Request	1,874	\$2,510,000	\$446,207	\$2,956,207

2A – Budget Increases and Decreases Description

Adjustment to Request **-\$699,100,000 / +0 FTE**
Labor and Overhead Due to Forecasted Increase in Circulating Coin Production +\$12,000,000
/ +100 FTE

In FY 2016, the Mint forecasts coin demand to increase to 16.3 billion coins annually. To meet the growth in demand, Mint operations require increased resources of \$12.0 million for items such as labor (direct), freight, utilities, and supplies. As a result of increased coin demand, FTEs are returning to the former level of 1,874. Previously, the Mint's FY 2016 budget identified a reduction of 100 FTEs, which was the result of a staffing review that identified reduced workforce needs. Subsequently, the significant increase in coin demand has precipitated the need to restore FTEs for coin production.

Metal Due to Forecasted Decrease in Numismatic and Bullion Coin Production -\$711,100,000 / +0 FTE

The FY 2016 budget request includes funding adjustments that support current coin demand projections. While circulating coin demand has increased, both numismatic and bullion demand has decreased. Coupled with the decline in metal prices, specifically precious metal (gold, silver, and platinum), the combined result is an overall decrease in metal funding from the FY 2016 President's Budget.

Maintaining Current Levels (MCLs)+\$6,791,000 / +0 FTE
Pay-Raise +\$2,079,000 / +0 FTE

Funds are required for the proposed January 2017 pay-raise.

Pay Annualization +\$691,000 / +0 FTE

Funds are required for annualization of the January 2016 pay-raise.

Non-Pay +\$4,021,000 / +0 FTE

Funds are required for non-labor costs such as travel, contracts, rent, supplies, and equipment.

Efficiency Savings-\$6,791,000 / +0 FTE
Operational Cost Savings -\$6,791,000 / +0 FTE

The Mint will absorb annual inflationary costs within the current operating budget by effective cost management across all departments within the Mint. The Mint will continue efforts in position management control, such as holding vacant non-direct positions for specific time periods, which will generate salary savings. In addition, discretionary spending will be held to the FY 2016 level and Mint activities will be prioritized to ensure that operating costs are maintained. The Mint is committed to keeping costs down and continues to employ cost savings strategies whenever practicable.

Program Increases+\$60,000,000 / +0 FTE
Capital Limit Increase +\$10,000,000 / +0 FTE

The Mint's investments in capital are a critical part of regular manufacturing operations. As coin demand from the FRB increases, the Mint's need for capital investments becomes more critical. The current limitation of \$20 million for circulating and protection capital is below the amount needed to meet capital investment requirements.

Capital legislation, which has been in place since FY 2002, regulates the amount of circulating and protection capital the Mint can spend annually. During that first fiscal year, the capital limit was \$43 million. Today, the current limit is reduced to \$20 million.

The legislative limit is linked to the annual depreciation level, which has been the unofficial baseline since 2002. Since the capital limit is linked to depreciation, the limit has decreased over time as the depreciation level declines. Fewer capital purchases were made in prior years due to cost savings efforts during times of low coin demand (2007 – 2010). This in turn caused lower depreciation levels for capital spending authority. As a result, capital needs during a period of high FRB demand are not able to be fully met.

The bureau has identified an urgent need to increase its legislative limit by \$10 million. This will raise the current limit from \$20 million to \$30 million beginning in FY 2017. The increased capital limit will allow the Mint to execute a comprehensive capital investment strategy that focuses on safety, equipment replacements, protection, and facility improvements.

Metal Due to Forecast Increase in Circulating Coin Production +\$40,000,000 / +0 FTE

The Mint forecasts that demand for circulating coins will remain strong in FY 2016 and 2017, at 16.3 billion coins and 16.9 billion coins, respectively. To meet the growth in demand, a \$40 million increase for metal purchases is required.

Metal Due to Forecast Increase in Numismatic and Bullion Coin Production +\$10,000,000 / +0 FTE

The Mint forecasts that the FY 2017 demand for numismatic coins will experience a slight growth of \$20 million, or seven percent from the FY 2016 projected level. Conversely, bullion coin demand is projected to decline with the increase of interest rates expected to take place in late FY 2015 or early FY 2016. The Mint forecasts that the FY 2017 bullion coin production cost will be \$10 million or 0.6 percent lower than the FY 2016 projected level. The net effect of the projected increase in numismatic coin production and the decrease in bullion coin production is a \$10 million increase in required metal purchases.

2.2 – Operating Levels Table

Dollars in Thousands

United States Mint Object Classification	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
11.1 - Full-time permanent	126,592	149,610	149,610
11.3 - Other than full-time permanent	917	161	161
11.5 - Other personnel compensation	15,540	12,729	12,729
11.9 - Personnel Compensation (Total)	143,049	162,500	162,500
12.0 - Personnel benefits	44,588	52,854	52,854
13.0 - Benefits for former personnel	368	1,019	1,019
Total Personnel and Compensation Benefits	\$188,004	\$216,373	\$216,373
21.0 - Travel and transportation of persons	1,589	1,897	2,649
22.0 - Transportation of things	34,959	29,093	29,002
23.1 - Rental payments to GSA	449	449	449
23.2 - Rental payments to others	14,205	14,251	14,196
23.3 - Communication, utilities, and misc charges	12,699	16,903	16,858
24.0 - Printing and reproduction	1,393	1,556	1,550
25.1 - Advisory and assistance services	26,583	33,889	33,762
25.2 - Other services	13,898	37,696	37,555
25.3 - Other purchases of goods & serv frm Govt accounts	19,365	20,427	20,351
25.4 - Operation and maintenance of facilities	6,479	3,197	3,185
25.5 - Research and development contracts	391	1,920	1,913
25.7 - Operation and maintenance of equip	6,968	7,917	7,887
26.0 - Supplies and materials	3,753	17,970	17,928
26.7 - Raw Materials	2,575,485	2,460,000	2,510,000
31.0 - Equipment	22,000	20,812	30,734
32.0 - Land and structures	9,333	11,858	11,815
Total Non-Personnel	2,749,549	2,679,834	2,739,834
Total Budgetary Resources	\$2,937,553	\$2,896,207	\$2,956,207
Budget Activities:			
Manufacturing	\$2,937,553	\$2,896,207	2,956,207
Total Budgetary Resources	\$2,937,553	\$2,896,207	\$2,956,207
FTE	1,651	1,874	1,874

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p>DEPARTMENT OF THE TREASURY UNITED STATES MINT PUBLIC ENTERPRISE FUND Federal Funds</p> <p>Pursuant to section 5136 of title 31, United States Code, the United States Mint is provided funding through the United States Mint Public Enterprise Fund (PEF) for costs associated with the production of circulating coins, numismatic coins, and protective services, including both operating expenses and capital investments. The aggregate amount of new liabilities and obligations incurred during fiscal year [2016] 2017 under such section 5136 for circulating coinage and protective service capital investments of the United States Mint shall not exceed [\$20,000,000] \$30,000,000.</p>	<p>The increased capital limit will allow the Mint to execute a comprehensive capital strategy that focuses on safety, equipment replacements, protection, and facility improvements.</p>

2C – Legislative Proposals

Eliminate the 20 percent requirement in the Native American \$1 Coin Act

This legislative proposal seeks to limit the requirement that the number of \$1 coins minted and issued in a year with the Sacagawea design on the obverse be not less than 20 percent of the total number of \$1 coins minted and issued. Approval of this proposal would allow the Mint to mint and issue numismatic versions of all \$1 coins in amounts necessary to meet public demand for coins of each particular design. In late 2011, to address the excessive \$1 coin inventories at the FRBs, the Secretary of the Treasury suspended the minting of Presidential \$1 Coins for circulation. As a result, the Mint fulfills all demand for new Presidential \$1 Coins through its numismatic sales channels. Numismatic demand for new Native American \$1 Coins, however, is significantly lower than numismatic demand for Presidential \$1 Coins, making it impracticable for the Mint to comply with the 20 percent requirement. As a consequence, limiting the 20 percent requirement to circulating coins is sensible at this time because it avoids the need to mint and issue Native American \$1 Coins in excess of the amounts that numismatic customers demand.

Section 5112(r)(5) of Title 31, United States Code, is amended by inserting “for circulation” after both instances of “minted and issued.”

Section 3 – Budget and Performance Plan

3A – Manufacturing

(\$2,956,207,000 from expenses/obligations):

The Mint has one budget activity: Manufacturing. This budget activity supports Treasury's strategic objective to "Facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public." This budget activity encompasses the bureau's two major programs: Circulating coinage and numismatic products, including bullion coins, collector coins, and national medals.

Circulating Coinage Program

Circulating coinage includes the minting and issuing of pennies, nickels, dimes, and quarter-dollars. The Mint delivers circulating coinage to the FRBs in quantities to support their service to commercial banks and other financial institutions. These financial institutions then meet the coinage needs of retailers and the public. The Mint recognizes revenues from the sale of circulating coins at face value when they are shipped to the FRBs.

The Mint will continue to mint and issue circulating quarter-dollar coins honoring America's national parks and other national sites, in accordance with the America's Beautiful National Parks Quarter Dollar Coin Act of 2008 (Public Law 110-456). In 2016, the Mint will release quarters honoring Shawnee National Forest (Illinois), Cumberland Gap National Park (Kentucky), Harpers Ferry National Park (West Virginia), Theodore Roosevelt National Park (North Dakota), and Fort Moultrie (Fort Sumter National Monument) (South Carolina). In 2017, the Mint will release quarters honoring Effigy Mounds National Monument (Iowa), Frederick Douglass National Historic Site (District of Columbia), Ozark National Scenic Riverways (Missouri), Ellis Island National Monument (Statue of Liberty) (New Jersey), and George Rogers Clark National Historical Park (Indiana).

Numismatic Program

Bullion Coins

The Mint produces and issues gold, silver, and platinum bullion coins to authorized purchasers through the American Eagle, American Buffalo, and America the Beautiful Silver Bullion Coin Programs to fulfill investor demand. The authorized purchasers agree to maintain an open, two-way market for these coins, ensuring their availability for consumers who desire them for investment portfolios. Demand for bullion coins is greatly influenced by the performance of other investment options, such as equities or currency markets, and therefore is highly unpredictable. The content and purity of the precious metal in the bullion coins are backed by the United States Government.

Other Numismatic Products

The Mint's numismatic program provides high-quality versions of circulating coinage, precious metal coins, commemorative coins, and medals for sale directly to the public. For some numismatic products, authorizing legislation specifies program requirements, such as design theme, mintage level, and duration of product availability. Other programs are structured by law to grant the Secretary of the Treasury discretion in determining product specifications. The Mint will continue to mint and issue numismatic versions of \$1 coins honoring the Nation's

past Presidents in accordance with the Presidential \$1 Coin Act of 2005 (Public Law 109-145). In 2016, the Mint will release Presidential \$1 Coins honoring Presidents Richard M. Nixon, Gerald R. Ford, and Ronald Reagan. The Presidential \$1 Coin Program ends in 2016. The Mint will also continue to mint and issue \$1 coins commemorating the important contributions made by Indian tribes and individual Native Americans to the development and history of the United States in accordance with the Native American \$1 Coin Act (Public Law 110-82).

Commemorative coins are authorized by law to recognize and honor people, places, events, institutions, and other subjects of historic or national significance. Each coin is minted and issued by the Mint in a limited quantity and is available only for a limited time. Included in the price is a surcharge that is authorized to be paid to the designated recipient organizations, assuming all legal requirements have been met. Recipient organizations must use the proceeds for the purposes specified in the enabling legislation. In FY 2016, the Mint is scheduled to mint commemorative coins in two programs: one to honor the literary and educational legacy of Mark Twain and the other to commemorate the 100th anniversary of the establishment of the United States National Park Service. In FY 2017, the Mint has authorization to mint two commemorative coins: the Lions Club International Commemorative Coin (Public Law 112-181) and the Boys Town Centennial Commemorative Coins (Public Law 114-30).

Total Budgetary Requirements (*all programs*)

In FY 2017, the United States Mint's total estimated budgetary requirements for operating, metal, and capital investments are \$2,956 million.

Description of Performance:

The Mint uses several key performance measures to gauge progress in achieving its strategic goals and to assess its Manufacturing Budget Activity performance.

Seigniorage per Dollar Issued

Seigniorage per dollar issued is the financial return on circulating operations, calculated as seigniorage divided by the total face value of circulated coinage shipped to the FRBs. It measures the cost effectiveness of minting and issuing the United States' circulating coinage. The Mint's strategic goal for this program is "Meet the nation's need for circulating coins."

By the end of FY 2015, seigniorage per dollar issued was \$0.49, above the FY 2015 performance target of \$0.24. Performance results are exceeding the target mainly due to a 57 percent increase in FRB orders for circulating quarter-dollar coins compared to initial budget estimates. Additionally, lower costs than forecast for copper, nickel, and zinc, and reduced general and administrative expenses also contributed to the improved performance.

FY 2016 and FY 2017 seigniorage per dollar issued and overall seigniorage are expected to increase compared to the original FY 2015 target. This is because projected quarter-dollar coin orders, which generate more seigniorage compared to lower-value denominations, are expected to increase. The performance target for seigniorage per dollar issued is \$0.47 in FY 2016 and \$.46 in FY 2017.

Customer Satisfaction Index (CSI)

The Mint conducts a quarterly survey of a random sample of active numismatic customers. The survey is intended to capture customer satisfaction with the Mint's service performance as a coin products supplier and with the quality of specific products. The CSI is a single quantitative score of the survey results. The Mint's strategic goal for this program is to "Responsibly expand the numismatic program."

By the end of FY 2015, the CSI reached 89.5 percent, falling just below the target of 90.0 percent. There was a drop in the CSI immediately following the conversion to the new order management system. The performance target for CSI is 90.0 percent for FY 2016 and FY 2017. The Mint anticipates the FY 2016 and 2017 CSI ratings to improve from the FY 2015 rating as customers became more familiar and comfortable with the new system.

Safety Incident Recordable Rate

The safety incident recordable rate is the number of injuries and illnesses meeting the Occupational Safety and Health Administration recording criteria per 100 full-time workers. It measures the occurrence of work-related incidents involving death, lost time and restricted work, loss of consciousness, and medical treatment. The Mint's strategic goal for this is "Foster a safe, engaged, productive and valued workforce."

By the end of FY 2015, the total recordable case rate was 3.42, which is above the 2.96 target but significantly below the industry average rate of 5.9 for metal forging and stamping manufacturers.

The performance target for safety incident recordable rate is 2.91 for FY 2016 and 2.82 for FY 2017. During FY 2015, the Mint set a goal to become world-class in safely operating its facilities and optimizing their environmental footprint. To help achieve this goal, the Mint established an office of Environmental Safety and Health. During FY 2015, the Mint completed a baseline audit of each facility and implemented risk management guidelines to prioritize resources and mitigate risk in advance of injuries or catastrophic events.

Numismatic Sales Units

The numismatic sales unit metric measures public demand for coin products sold from numismatic operations. The Mint's strategic goal for this program is to "Responsibly expand the numismatic program." Increased unit sales would demonstrate greater public awareness of, and demand for, coin products produced by the Mint. Increases in units sold would also potentially reduce product unit costs, as fixed costs would be spread over a greater number of units.

In FY 2015, the Mint sold 5.4 million units, which is five percent below the fiscal year target of 5.6 million units. The primary driver for this shortfall was lower customer demand for commemorative coins. In FY 2014 the Mint released several popular high-volume products such as the National Baseball Hall of Fame Commemorative Coins. Sales volume fell because there were no correspondingly popular products sold during FY 2015 to replace the previous year's demand. Demand for annual recurring sets also continues to decline. This also contributed to the Mint not meeting its FY 2015 target.

In FY 2016, a loss in unit sales of two very popular products – The American Eagle Silver (AE) dollar coins – is anticipated. The passage of the “Fixing America’s Surface Transportation Act” or the “FAST Act” (Public Law 114-94) includes a provision affecting the 2016 AE coin sales. Proof and Uncirculated versions of the AE bullion coins issued in 2016 shall have a smooth-edge incused with a designation that notes the 30th anniversary of the first issue of the coins. The bureau estimates that deliveries of 2016 AE coins will begin in July 2016. The result is that the Mint will lose six months of AE coin sales in FY 2016. In addition, the Presidential \$1 Coin Program and its associated products generate one million unit sales each year. In 2016, the last year of this statutory program, the Mint commemorates three Presidents, Nixon, Ford, and Reagan; in previous years, four presidents were commemorated. As a result, the Presidential \$1 Coin Program is estimated to decline 20 percent in FY 2016.

In FY 2017, the AE coin program is expected rebound to previous sales levels; however, the Mint estimates a decline of 850,000 units because of the loss of the presidential dollar coin program.

As a result, this performance target has been established at 4.6 million units for FY 2016 and 4.1 million units for FY 2017. The Mint will continue efforts in the areas of products, promotion, distribution, and systems to achieve responsible growth in numismatic product sales.

3.1.1 – Manufacturing Budget and Performance Plan

Dollars in Thousands

Manufacturing Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$3,624,483	\$4,623,384	\$3,806,838	\$3,525,178	\$3,891,773	\$2,937,553	\$2,896,207	\$2,956,207
Budget Activity Total	\$3,624,483	\$4,623,384	\$3,806,838	\$3,525,178	\$3,891,773	\$2,937,553	\$2,896,207	\$2,956,207

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Customer Satisfaction Index (%)	86.1	91.7	90.0	92.6	89.8	89.5	90.0	90.0	90.0
Numismatic Sales Units (Million Units)	N/A	7.3	5.6	5.51	5.7	5.4	5.6	4.6	4.1
Safety Incident Recordable Rate	2.29	2.74	3.5	2.9	3.31	3.42	2.96	2.96	2.96
Seigniorage per Dollar Issued (\$)	.49	.45	.21	.24	.37	.47	.24	.47	.46

Key: DISC - Discontinued

Section 4 – Supplemental Information

4A – Summary of Capital Investments

The Mint is a non-appropriated manufacturing bureau whose primary mission is to produce coinage in amounts that the Secretary of the Treasury decides are necessary to meet the needs of the United States. Its capital investment requirements are predominantly for manufacturing-type equipment. Capital investments, along with its operating expenses, are paid out of its PEF. The aggregate amount of new liabilities and obligations incurred during the budget fiscal year for capital investments in circulating coinage operations and protective service conforms to a legislative limitation for these capital projects. As such, the Mint's long-range planning process is designed to address its capital needs while maintaining spending within legislative limitations.

The Mint's manufacturing capital investment projects focus on safety, equipment replacement, protection, and facility improvements.

In addition, the Mint's capital investments encompass a robust information technology (IT) portfolio that focuses on the optimization of formal governance structures to manage IT investments and programs in an effort to emphasize reductions in system redundancy and to modernize the IT system infrastructure. Enterprise architecture reviews ensure alignment of IT investments to the bureau's strategic plans and the strategic enterprise direction of the Department of the Treasury. IT investments are closely monitored for cost, schedule, and performance to ensure expected results and benefits are achieved.

In accordance with the Statement of Federal Financial Accounting Standard (SFFAS) No. 6, the Condition Index and the Deferred Maintenance assessments for purposes of Federal Real Property Profile, the Mint has no deferred maintenance for its equipment. Maintenance is scheduled and performed regularly to keep the manufacturing equipment operating at optimal levels.

Total Capital Investments Plan

Capital IT/Non-IT Summary Category	FY 2015 Actuals	FY 2016 Estimated	FY 2017 Estimated
Non-IT Investments	\$27,636,582	28,158,000	38,375,000
IT Investments	\$1,674,650	2,310,000	2,125,000
Total Investments	\$29,311,232	\$30,468,000	\$40,500,000

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

Office of the Comptroller of the Currency

FY 2017

President's Budget Submission

February 9, 2016

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Section 1 – Purpose

1A – Mission Statement

To ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

1.1 – Resource Detail Table

Dollars in Thousands

Office of the Comptroller of the Currency Budgetary Resources	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
	Actual		Estimated		Estimated		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments	0	1,110,311	0	1,169,500	0	1,200,900	0	31,400	.00	2.68%
Interest	0	16,701	0	19,400	0	20,000	0	600	.00	3.09%
Other Income	0	18,632	0	15,600	0	15,900	0	300	.00	1.92%
Unobligated Balances from Prior Years	0	1,301,636	0	1,451,369	0	1,522,569	0	71,200	.00	4.91%
Total Revenue/Offsetting Collections		2,447,280		2,655,869		2,759,369		103,500		3.90%
Expenses/Obligations										
Supervise	3,337	873,414	3,469	993,905	3,469	1,013,782	0	19,877	0.00%	2.00%
Regulate	396	103,574	411	117,863	411	120,221	0	2,358	0.00%	2.00%
Charter	72	18,922	75	21,532	75	21,963	0	431	0.00%	2.00%
Total Expenses/Obligations	3,805	995,910	3,955	1,133,300	3,955	1,155,966	0	22,666	0.00%	2.00%
Net Results		1,451,369		1,522,569		1,603,403		80,834		5.31%

1B – Vision, Priorities, and Context

The Office of the Comptroller of the Currency (OCC) was created by Congress in 1863 to charter national banks; oversee a nationwide system of banking institutions; and ensure national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers. Effective on July 21, 2011, Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), transferred to the OCC the responsibility for the supervision of federal savings associations and rulemaking authority for all savings associations.

As of September 30, 2015, the OCC supervised 1,010 national bank charters and 49 federal branches of foreign banks in the United States with total assets of approximately \$10.4 trillion, and 416 federal savings associations (which include 165 mutual institutions) with total assets of approximately \$688 billion. In total, the OCC supervises approximately \$11.1 trillion in financial institution assets.

OCC Vision, Core Values, and Goals

Vision

The OCC is a preeminent prudential bank supervisor that adds value through proactive and risk based supervision; is sought after as a source of knowledge and expertise; and promotes a vibrant and diverse banking system that benefits consumers, communities, businesses, and the U.S. economy.

The OCC culture is agile, accountable, strategy-based, and data-driven. The OCC team of dedicated professionals uses substantive expertise, sound judgment, and comprehensive experience to assess the financial condition, management, and regulatory compliance of national banks and federal savings associations to ensure a vibrant and diverse banking system that benefits all Americans.

Core Values

- **Integrity** – We do the right thing by acting in accordance with law and applicable policies and applying the highest ethical standards.
- **Expertise** – We continuously enhance our skills and experience, act on careful analysis, and apply our knowledge and capabilities to achieve the agency’s mission.
- **Collaboration** – We include diverse stakeholders in our decision-making process, seek alternative perspectives, and excel in a team environment.
- **Independence** – We act without undue external influences and exercise our own judgment in a manner consistent with the agency’s mission and vision.

Goals

The OCC has established three goals outlined in its strategic plan that help support a strong economy for the American public: 1) A vibrant and diverse system of national banks and federal savings associations that supports a robust U.S. economy; 2) “One OCC” focused on collaboration, innovation, coordination, and process efficiency; 3) The OCC is firmly positioned to continue to operate independently and effectively into the future. To achieve its goals and objectives, the OCC organizes its activities under three programs: 1) Supervise, 2) Regulate, and 3) Charter. Effective supervision and a comprehensive regulatory framework are the key tools that the OCC uses to ensure that national banks and federal savings associations operate in a safe and sound manner and that they provide fair access to financial services and fair treatment of their customers. A robust chartering program allows new entrants into the financial services sector while ensuring that they have the necessary capital, managerial, and risk management processes to conduct activities in a safe and sound manner.

The OCC’s priorities focus on strengthening the resiliency of the institutions subject to its jurisdiction through its supervisory and regulatory programs and activities. A stronger and more resilient banking system directly supports three of the Department of the Treasury’s (Treasury) FY 2014-2017 strategic goals: Goal 1) Promote domestic economic growth and stability while continuing reforms of the financial system; Goal 4) Safeguard the financial system and use financial measures to counter national security threats; and Goal 5) Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction.

The OCC's nationwide staff of bank examiners conducts on-site reviews of banks and provides sustained supervision of these institutions' operations. Examiners analyze asset quality, capital adequacy, earnings, liquidity, and sensitivity to market risk for all banks, and assess compliance with federal consumer protection laws and regulations.¹ Examiners also evaluate management's ability to identify and control risk, and assess banks' performance in meeting the credit needs of the communities in which they operate, pursuant to the Community Reinvestment Act.

In supervising banks, the OCC has the power to:

- Examine banks;
- Approve or deny applications for new charters, branches, capital, or other changes in corporate or banking structure;
- Take supervisory and enforcement actions against banks that do not comply with laws and regulations or that otherwise engage in unsafe or unsound practices;
- Remove and prohibit officers and directors, negotiate agreements—both formal (i.e., public) and informal (i.e., non-public)—to change banking practices, and issue cease-and-desist orders as well as Civil Money Penalties (CMP); and
- Issue rules and regulations, legal interpretations, supervisory guidance, and corporate decisions governing investments, lending, and other practices.

Operations are funded primarily (approximately 97 percent) from semiannual assessments levied on national banks and federal savings associations. Revenue from investments in Treasury securities and other income comprise the remaining three percent of the OCC's funding. The OCC does not receive congressional appropriations to fund any portion of its operations.

Supervisory Activities

The OCC influences the banking system using several means: 1) policy guidance and regulations that set forth standards for sound banking practices; 2) on-site examinations and ongoing off-site monitoring that enable the OCC to assess compliance with those standards and to identify emerging risks or trends; and 3) a variety of supervisory and enforcement tools – ranging from matters requiring the attention of the financial institution's board and management to informal and formal enforcement actions – that are used to obtain corrective action to remedy weaknesses, deficiencies, or violations of law.

The OCC undertook the following initiatives in fiscal year (FY) 2015:

- The OCC published revised procedures providing additional clarity to examiners and bankers about the OCC's policies and procedures for Matters Requiring Attention.
- The OCC and other federal agencies in partnership with the State Liaison Committee of the Federal Financial Institutions Examination Council (FFIEC) issued guidance on private student loans with graduated repayment terms at origination.
- The OCC in conjunction with FFIEC members issued updates to the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual.
- The OCC issued its fall and spring *Semiannual Risk Perspective* reports that discuss

¹ The Consumer Financial Protection Bureau assesses compliance with Federal consumer financial laws as defined under Title X of the Dodd Frank Act for banks with assets over \$10 billion.

- emerging risks facing OCC-supervised banks and identifies supervisory priorities.
- The OCC provided testimony to the Committee on Banking, Housing and Urban Affairs of the United States Senate on cybersecurity and participated in interagency initiatives to improve cybersecurity awareness.
 - The OCC and other FFIEC members issued a Cybersecurity Assessment Tool (Assessment) that institutions may use to evaluate their risks and cybersecurity preparedness.
 - The OCC reviewed and summarized community and midsize banks' practices for measuring interest rate risk to assist bankers in benchmarking their individual bank's practices.
 - The OCC, Federal Deposit Insurance Corporation (FDIC) and Board of Governors of the Federal Reserve System (FRB) issued frequently asked questions (FAQs) on 2013 interagency leveraged lending guidance. The FAQs address questions from the industry relating to the implementation of the guidance.
 - The OCC emphasized the changing risk environment for indirect auto lending by OCC-supervised institutions and began taking additional supervisory actions and acquiring additional analytical tools to monitor and assess this risk.
 - The OCC monitored the direct and correlated risk to OCC-supervised banks from the rapid decline in crude oil prices.
 - The OCC issued its annual *Survey of Credit Underwriting Practices* report, which highlights a continued easing in underwriting standards and an increasing level of policy exceptions.
 - The OCC conducted hundreds of outreach meetings with bankers to ensure that the banking industry understands OCC perspectives and expectations.
 - The OCC coordinated with the FDIC, FRB, Financial Stability Oversight Council (FSOC), and Basel-related committees on supervisory policies and strategies.
 - The OCC continued implementing recommendations from the OCC's international peer review by selecting a Deputy Comptroller for Supervision Risk Management, expanding lead expert groups, and establishing a team to develop an enterprise risk management function for the agency.

In FY 2015, the OCC published on its web site enforcement actions against regulated institutions, including the imposition of CMPs. The OCC continues to be actively involved in the residential foreclosure oversight process to ensure that all foreclosures are handled consistent with regulatory requirements. In addition, over the past year, the OCC took significant enforcement actions to address BSA/AML violations, and unfair, deceptive, or abusive acts or practices.

The OCC's supervisory activities in FY 2015 continued to focus on evaluating and strengthening the quality of banks' risk management to identify, measure, monitor, and control the build-up of risk, both on and off-balance sheet. A primary focus of on-site supervisory activities was the quality of banks' risk management and corporate governance practices. Specific areas of supervisory activities included: 1) evaluating the effectiveness of credit risk rating systems, and the adequacy of underwriting standards and allowance for loan and lease reserve methodologies; 2) assessing banks' strategic and business making decision processes to determine that banks comprehensively identify, assess and report all risks arising from cost reduction programs, use of

third party vendors, and expansion into new products or services; 3) evaluating banks' interest rate risk exposures and model assumptions; and 4) identifying and controlling cybersecurity threats.

Operational risk management – managing the risk of loss due to (i) failure of people, processes, and systems, and (ii) external events – has become an area of heightened risk and supervisory attention. Strong enterprise risk management processes have been and will continue to be a point of emphasis, particularly at larger institutions. In addition, the OCC continues to assess and address supervisory issues in the areas of fair lending, consumer protection, BSA/AML, and information security.

In addition to its ongoing supervisory activities, the OCC undertook the following initiatives in FY 2015:

- *Final Risk Retention Rule:* The OCC and five federal agencies approved a final rule requiring sponsors of securitization transactions to retain risk in those transactions. The final rule implements the risk retention requirements in the Dodd-Frank Act. The final rule generally requires sponsors of asset-backed securities (ABS) to retain not less than five percent of the credit risk of the assets collateralizing the ABS issuance. As required by the Dodd-Frank Act, the final rule defines a “qualified residential mortgage” (QRM) and exempts securitizations of QRM from the risk retention requirement. The final rule aligns the QRM definition with that of a qualified mortgage as defined by the Consumer Financial Protection Bureau (CFPB). The final rule also does not require any retention for securitizations of commercial loans, commercial mortgages, or automobile loans if they meet specific standards for high quality underwriting.
- *Large and Midsize Bank Supervision Peer Review:* The OCC continued work on implementing a number of action items as part of its effort to enhance bank and thrift supervision processes and policies. These efforts are the result of an assessment of the OCC's approach to the supervision of large-and mid-sized institutions conducted in 2014 by an international peer review team. Actions completed in FY 2015 included the expansion and realignment of the OCC's lead expert examiners in the agency's Large Bank program; enhancements to the OCC's strategy development process; updates and revisions to the OCC's strategic framework; the establishment of formal Strategic Management and Enterprise Risk Management units; and the enhancements to the analytical functions within the OCC's National Risk Committee structure.
- *Community Bank Regulatory Burden:* The OCC continued its efforts to address concerns regarding regulatory burden on community banks and to foster the ability of small banks to compete in the market place. These efforts included:
 - *The Economic Growth and Regulatory Paperwork Reduction Act Reviews.* The OCC, the FRB, and the FDIC published two notices requesting comment on their regulations and held a series of outreach meetings as part of the agencies' effort to reduce regulatory burden as required by the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPA). These notices and outreach meetings provided interested parties an opportunity to comment on regulatory burden reduction directly to the agencies' staff members and senior management.

- *Call Report Simplification.* Through the FFIEC, the OCC, FRB and FDIC commenced a project to consider ways to further tailor reporting requirements for community banks. As part of this effort the agencies plan to undertake a comprehensive review of every line item of every schedule in the Call Report to identify data items that can be deleted and to consider the merits of creating a more streamlined Call Report for certain community banks that would omit schedules and data items not applicable to most of these institutions.
 - *Community Bank Collaboration.* The OCC issued a paper entitled “An Opportunity for Community Banks: Working Together Collaboratively,” describing how community banks can pool resources to obtain cost efficiencies and leverage specialized expertise. The paper explores the benefits of collaboration, outlines how community banks can structure collaborative arrangements, and emphasizes the need for effective oversight of collaborative arrangements.
- *Independent Foreclosure Review (IFR):* The OCC and the FRB previously amended consent orders against 15 mortgage servicers for deficient practices in mortgage servicing and foreclosure processing. During FY 2015, servicers covered by mortgage servicing and foreclosure related consent orders continued to take action to correct deficiencies in mortgage servicing and foreclosure processes as directed by the OCC and FRB enforcement actions. Servicers reported that much of that work was complete and federal examiners continued the process of verifying and testing that work. In addition, pursuant to the amended consent orders that resolved the IFR, nearly \$3.6 billion in payments to eligible borrowers under the settlement funds supervised by the OCC and FRB will have been cashed or deposited through the end of November 2015. In June 2015, the OCC announced that it had terminated the consent orders for three mortgage servicers because it was determined that these institutions complied with the orders issued in April 2011 and amendments issued in February 2013. At the same time, the OCC issued amended orders for six other institutions to restrict certain business activities that they conduct because they have not met all of the requirements of the consent orders. Foreclosure-related consent orders against two other mortgage servicers were terminated previously by operation of law after these institutions ceased to operate as regulated, insured depository institutions. The OCC also announced it will escheat at the end of 2015 any remaining uncashed payments made pursuant to the IFR Payment Agreement so eligible borrowers and their heirs may claim the funds through their states’ escheatment processes.
 - *Matters Requiring Attention:* The OCC published revised policy and procedures for how it manages Matters Requiring Attention (MRA) resulting from its examination of supervised institutions. MRAs communicate specific supervisory concerns identified during examinations in writing to boards and management teams of regulated institutions. MRAs must receive timely and effective corrective action by bank management and follow-up by OCC examiners. The OCC’s updated MRA guidance enhances the agency’s ability to ensure a safe and sound federal banking system by emphasizing timely detection and sustainable corrective action of deficient bank practices before they affect the bank’s condition. The updated guidance standardizes MRA terminology, format, follow-up, analysis, and reporting across the agency. The guidance addresses recommendations from the international peer

review of the OCC's supervision of large and midsize institutions, which was conducted last year.

- *International Swaps and Derivatives Association's (ISDA) Resolution Stay Protocol in Regulatory Capital and Liquidity Coverage Rules:* The OCC, and the FRB issued an interim final rule to ensure that the treatment of over-the-counter (OTC) derivatives, eligible margin loans, and repo-style transactions under the two agencies' regulatory capital and liquidity coverage ratio rules would be unaffected by the implementation of certain foreign special resolution regimes for financial companies or by a banking organization's adherence to the ISDA's Resolution Stay Protocol. In addition, the interim final rule ensures that the lending limits of affected national banks and federal savings association would be unchanged. The regulatory capital and liquidity coverage ratio rules for banking organizations recognize netting or collateral agreements for OTC derivatives and certain securities financing transactions, so long as the banking organization may terminate positions upon an event of default of the counterparty. The rules provide that the transactions may receive this treatment even though certain U.S. laws, including Title II of the Dodd-Frank Act and the Federal Deposit Insurance Act, may temporarily stay the termination rights
- *Guidance on Private Student Loans with Graduated Repayment Terms at Origination:* The OCC and other federal financial regulatory agencies, in partnership with the State Liaison Committee (SLC) of the FFIEC, issued guidance for financial institutions on private student loans with graduated repayment terms at origination.
- *Minimum Requirements for Appraisal Management Companies:* The OCC and five other federal financial regulatory agencies issued a final rule that implements minimum requirements for state registration and supervision of appraisal management companies (AMCs). The final rule implements amendments to Title XI of the Financial Institution Reform, Recovery, and Enforcement Act of 1989 made by the Dodd-Frank Act. Under the rule, states may elect to register and supervise AMCs. The AMC minimum requirements in the final rule apply to states that elect to register and supervise AMCs.
- *Final Flood Insurance Rules:* The OCC, FDIC, FRB, National Credit Union Administration (NCUA), and Farm Credit Administration (FCA) issued a final rule that implements certain provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 and the Homeowner Flood Insurance Affordability Act of 2014, including the mandatory escrow provisions.
- *Bank Secrecy Act/Anti-Money Laundering:* The OCC in conjunction with the other FFIEC member agencies issued updates to the FFIEC's BSA/AML Examination Manual to incorporate regulatory changes and clarify supervisory expectations in a number of areas. The OCC also issued a statement to clarify its expectations with regard to offering banking services to money services businesses.
- *The OCC National Risk Committee's Semiannual Risk Perspective:* The OCC continued to produce this informative semiannual report that highlights the OCC's perspective on key issues and risks that pose threats to the safety and soundness of banks. The report draws upon the findings of the OCC's supervisory activities and analyses of the banking industry.

- Cybersecurity Risk Management:* During FY 2015, the OCC, under the Comptroller's leadership as the chair of the FFIEC, continued to raise industry awareness of the threats posed to the financial system by cybersecurity risks. In November 2014, the FFIEC issued observations from the cybersecurity assessment pilot that the OCC and other FFIEC agencies conducted during the summer of 2014. The observations provide questions that senior management and boards of directors can use to evaluate their institution's cybersecurity preparedness. The FFIEC also issued a statement encouraging financial institutions to join Financial Services Information Sharing and Analysis Center as part of their actions to identify, respond to and mitigate cyber threats. In March 2015 the FFIEC issued two statements about ways that financial institutions can identify and mitigate cyber-attacks that compromise user credentials or use destructive software, known as malware. Additionally, the OCC's Senior Critical Infrastructure Officer provided testimony to the Committee on Banking, Housing and Urban Affairs of the United States Senate on the cybersecurity initiatives the OCC and the FFIEC have taken, the avenues in place to share cybersecurity information, and recommendations where legislation may be helpful to enhance information sharing among financial institutions. In June 2015, the FFIEC, on behalf of its members, issued a Cybersecurity Assessment Tool (Assessment) that institutions may use to evaluate their risks and cybersecurity preparedness. OCC examiners will incorporate the Assessment into examinations of national banks, federal savings associations, and federal branches and agencies (collectively, banks) of all sizes beginning in late 2015, with completion expected by 2016. Completion for smaller community banks with an 18-month examination cycle is expected by early 2017, or sooner. While all financial institutions may use the Assessment Tool themselves to evaluate their risks and cybersecurity preparedness, OCC examiners will use the Assessment to supplement examination work to gain an understanding of an institution's inherent risk, risk management practices, and controls related to cybersecurity. The Assessment helps banks and examiners determine a bank's inherent risk profile and level of cybersecurity preparedness. The results may be reviewed to determine whether the bank's cybersecurity maturity levels align with the bank's inherent risk profile. In addition to the Assessment, the FFIEC has also made available resources institutions may find useful, including an executive overview, a user's guide, an online presentation explaining the Assessment, and appendixes mapping the Assessment's baseline items to the *FFIEC Information Technology (IT) Examination Handbook* and to the National Institute of Standards and Technology's (NIST) Cybersecurity Framework.

Enforcement Activities

As needed, the OCC uses its enforcement authority to ensure that national banks and federal savings associations operate in a safe and sound manner and in compliance with laws and regulations. This authority comes in the form of formal and informal enforcement actions.

Through September of FY 2015, the OCC published 107 formal enforcement actions against regulated institutions, resulting in the assessment of just over \$1 billion in civil money penalties as well as orders for unquantified consumer reimbursement for unfair billing practices and deceptive marketing. The OCC issued 195 enforcement actions against institution-affiliated parties (IAPs), resulting in the assessment of approximately \$1 million in civil money penalties.

Significant enforcement activities in FY 2015 included, among others:

- Actions against banks that failed to maintain effective BSA/AML programs and file complete, timely, and accurate Suspicious Activity Reports (SAR).
- Assessment of \$950 million in fines against three national banks for unsafe or unsound practices related to the foreign exchange trading business, involving the manipulation of exchange rates and trading actions potentially detrimental to consumers.
- Actions to ensure servicemembers receive credit protections for non-home loans under the Servicemembers Civil Relief Act.
- Assessment of penalties and orders of restitution to bank customers for unfair and deceptive practices in billing for identity theft protection products, marketing practices related to a debt cancellation product, and resolution of deposit amount discrepancies in customer accounts.

The OCC supervision and enforcement staff also work closely with their CFPB counterparts on matters affecting OCC-regulated entities.

Regulatory Activities

The OCC's strategic objectives emphasize regulatory oversight practices that support national banks' and federal savings associations' ability to compete while maintaining safety and soundness. In addition, the OCC will continue its legal work of analysis and interpretation of national bank and federal savings association powers and authorities.

The OCC devoted a significant amount of resources in FY 2015 to regulatory activities relating to the remaining implementation of the Dodd-Frank Act, as well as the finalization and implementation of the Liquidity Coverage Ratio, and participating on the FSOC.

Specific actions included:

- The OCC and five federal agencies approved the final Risk Retention Rule under the Dodd-Frank Act.
- The OCC continued efforts to address concerns regarding regulatory burden in community banks. These efforts include:
 - The EGRPRA Reviews
 - Call Report Simplification
 - Community Bank Collaboration
 - Legislative Proposals
- The OCC and the FRB issued an interim final rule to ensure certain treatment under regulatory capital and liquidity coverage ratio rules would be unaffected by adherence to the ISDA's Resolution Stay Protocol.
- The OCC and five other federal agencies issued the final rule on minimum requirements for appraisal management companies.
- The OCC, FRB, FDIC, NCUA, and FCA issued the final flood insurance rules.
- The OCC, FRB, and FDIC finalized revisions to the advanced approaches capital rules adopted in July 2013.

Charter Activities

The OCC processed 2,524 corporate applications and notices in FY 2015, of which 97 percent were completed within required timeframes. In order to address potential safety and soundness problems before they arise, the OCC may impose conditions upon bank transaction approvals

covering, for example, capital and liquidity arrangements and deviations from business plans. The OCC continues to receive and process a significant share of applications involving resolution of problem financial institutions.

FY 2016 and 2017 Priorities

A major focus of the OCC's supervisory, regulatory, and administrative programs for FY 2016 will be implementing the remaining applicable provisions of the Dodd-Frank Act and the enhanced capital framework under Basel III. Work will also continue to fully integrate the applicable regulatory, supervisory policy and examination platforms for national banks and federal savings associations and to ensure that these institutions comply with applicable new statutory and regulatory requirements. In addition, the OCC and the other federal banking agencies are conducting a review of the burden imposed on community institutions by existing regulations pursuant to the decennial review required by the EGRPRA.

The OCC is observing signs that credit risk is building, including erosion in the underwriting standards for syndicated leveraged loans and loosening of standards in the indirect auto market. Therefore, the OCC will continue to closely evaluate current underwriting standards by conducting targeted underwriting examinations and completing the annual underwriting survey. The OCC will be working to complete the implementation of recommended actions arising out of the Large and Midsize Supervision Peer Review project and will also continue efforts to implement its strategic initiatives to make the OCC a stronger and more effective organization.

The OCC will conduct examinations based on the risk profile of individual national banks and federal savings associations to ensure they are safe and sound, sufficiently capitalized, and comply with consumer protection laws and regulations. Priorities and activities will include supervisory reviews related to corporate governance and oversight, credit underwriting, compliance, cyber threats, operational risk, BSA/AML, and fair access. Examiners will work to resolve problem national banks and federal savings associations situations effectively by identifying problems at the earliest possible stage, clearly communicating concerns and expectations to bank management through appropriate enforcement actions, and ensuring timely follow-up on needed corrective actions.

Industry Outlook

The environment continues to be challenging for the OCC and the national banking and federal savings association industry ("federal banking system"). The federal banking system faces heightened compliance, operational, reputation, and strategic risks because of significant changes in laws, regulations, and accounting standards. National banks and federal savings associations will need to incorporate these changes into their operations, which is likely to lead to fundamental shifts in many institutions' business models and strategic plans. National banks and federal savings associations also face intense competition and risks from the normalization of interest rates. To address these challenges, the OCC will need to conduct ongoing assessments of emerging risks and the underlying condition of the federal banking system, and to prioritize and allocate resources to the areas and institutions at highest risk.

The federal banking system has weathered a serious disruption to financial markets, a crisis in the mortgage sector, and a slow recovery from a long and deep recession. The long-term trend

of consolidation in the federal banking system is likely to continue; the table below shows estimates of the change in number of institutions and share of assets held by banks with over \$10 billion in assets, extrapolating from trends experienced between 2004 and 2014. The extrapolations exclude trust companies and foreign branch offices because, compared to national banks and federal savings associations, their growth is less closely linked to underlying domestic economic trends. The asset forecast assumes that system assets continue to grow at the recent average rate of nominal Gross Domestic Product (GDP) over the next five years.

	Number of institutions		Assets	Share of total system assets in institutions with assets >\$10 billion	
Estimated change 2014 to 2019	OCC banks -23%	OCC thrifts -21%	All OCC-supervised 24%	2014 2019	92.6% 94.9%

Loan growth has been slower than usual in an economic recovery, in part because the economy as a whole grew more slowly than is usual after a severe recession. The combination of recession and financial crisis caused households to deleverage, reducing loan demand, especially the demand for residential mortgage loans. Tighter underwriting standards have also reduced the supply of credit from pre-recession levels. Commercial lending, however, has been growing, with outstanding commercial and industrial loans now above the pre-recession peak. This has occurred despite firms' large cash reserves, and the ability of medium-size firms to borrow long-term at low rates in bond markets.

Credit loss rates for the system rose sharply for all major loan categories during the financial crisis and recession, but are now back to or below their two-decade averages for all major loan categories. To strengthen their positions in the aftermath of the crisis, many financial institutions have raised additional capital and the largest have built up historically high shares of liquid assets. The result is a stronger federal banking system than existed before the crisis.

Section 2 – Budget Adjustments and Appropriations Language

2.2 – Operating Levels Table

Dollars in Thousands

Office of the Comptroller of the Currency	FY 2015	FY 2016	FY 2017
Object Classification	Actual	Estimated	Estimated
11.1 - Full-time permanent	502,530	546,445	557,374
11.3 - Other than full-time permanent	6,672	7,052	7,193
11.5 - Other personnel compensation	3,096	3,255	3,320
11.9 - Personnel Compensation (Total)	512,298	556,752	567,887
12.0 - Personnel benefits	215,491	246,911	251,849
13.0 - Benefits for former personnel	40	149	152
Total Personnel Compensation and Benefits	\$727,829	\$803,812	\$819,888
21.0 - Travel and transportation of persons	55,613	70,695	72,109
22.0 - Transportation of things	2,441	2,271	2,316
23.1 - Rental payments to GSA	56	58	59
23.2 - Rental payments to others	62,848	62,305	63,551
23.3 - Communication, utilities, and misc charges	12,151	16,488	16,818
24.0 - Printing and reproduction	579	718	732
25.1 - Advisory and assistance services	36,307	34,287	34,973
25.2 - Other services	17,991	21,246	21,671
25.3 - Other purchases of goods & serv frm Govt accounts	10,535	12,653	12,906
25.4 - Operation and maintenance of facilities	4,716	4,946	5,045
25.7 - Operation and maintenance of equip	54,249	60,265	61,470
26.0 - Supplies and materials	6,447	7,836	7,993
31.0 - Equipment	20,502	18,675	19,049
32.0 - Land and structures	46	16,750	17,085
42.0 - Insurance claims and indemnities	240	295	301
Total Non-Personnel	284,721	329,488	336,078
Total Budgetary Resources	\$1,012,550	\$1,133,300	\$1,155,966
Budget Activities:			
Supervise	873,414	993,905	1,013,782
Regulate	103,574	117,863	120,221
Charter	18,922	21,532	21,963
Total Budgetary Resources	\$995,910	\$1,133,300	\$1,155,966
FTE	3,805	3,955	3,955

2B – Appropriations Language and Explanation of Changes

The OCC receives no appropriations from Congress.

2C – Legislative Proposals

The OCC has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Supervise

(\$993,905,000 from reimbursable resources):

An effective supervision program is the cornerstone of the OCC's activities that support its strategic goals. Specifically, the Supervise Program consists of ongoing supervision and enforcement activities that directly support the OCC's strategic goals to 1) ensure that each national bank and federal savings association is operating in a safe and sound manner and is complying with applicable laws, rules, and regulations relative to the financial institution and the customers and communities it serves, and 2) provide fair access to financial services and fair treatment of customers. Assessing the condition and risk management practices of national banks and federal savings associations, and requiring corrective actions when weaknesses are found, directly supports Treasury's goal of repairing and reforming the financial system.

The OCC's Supervision Program specifically supports the following Treasury Objectives:

1.3: Complete implementation of financial regulatory reform initiatives and continue monitoring the markets for threats to stability;

1.4: Facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public;

4.3: Improve the cybersecurity of our Nation's financial sector critical infrastructure; and

4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards.

The primary goal of the OCC's Supervision Program is to ensure that institutions operate in a safe and sound manner and in compliance with laws requiring fair treatment of their customers and fair access to credit and financial products. The OCC's Supervision Program supports the implementation of the financial regulatory reform initiatives including those in the Dodd-Frank Act as well as other regulatory initiatives designed to strengthen the nation's federal banking system. The OCC also monitors risks and threats to the stability of the federal banking system through its regular examinations of the institutions it supervises and other monitoring programs such as its Semi-annual Risk Perspectives Report, participation in the Shared National Credit Program, and its Credit Underwriting Survey.

The OCC's Supervision Program supports facilitating commerce through the goal of ensuring the safety and soundness of the federal banking system. Through its Supervision Program the OCC has taken a number of steps to improve the cybersecurity of the nation's financial sector critical infrastructure including organizing webinars for community bankers. The agency continues to update examiner handbooks, procedures, and training materials to ensure that, as threats evolve, all national banks and federal savings associations can identify cyber risks and strengthen their risk management and control systems. The OCC is an active member of the Financial Services Information Sharing and Analysis Center, which provides greater real-time insight into a broad range of potential threats to the industry and the ability to assist, when appropriate, in a coordinated response with other government agencies. Finally, the OCC supports protecting the integrity of the financial system through its examinations of compliance with BSA/AML and through the initiation of enforcement actions for non-compliance with BSA/AML laws and regulations.

Description of Performance:

Percentage of National Banks and Federal Savings Associations with Composite CAMELS Rating of 1 or 2:

The composite Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity (CAMELS) rating reflects the overall condition of a national bank or federal savings association. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational, and compliance factors inherent in a national bank or federal savings association. The rating scale is 1 through 5 of which 1 is the highest rating granted. These CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS.

The OCC has established a target outcome measure that 90 percent of the institutions under its supervision have a composite CAMELS rating of 1 or 2. Such a rating is consistent with the strategic goal of a safe and sound banking system, that banks maintain adequate capital and liquidity and have strong risk management practices. As of September 30, 2015, 91 percent of national banks and federal savings associations earned composite CAMELS ratings of either 1 or 2. Degradation in CAMELS can reflect weaknesses in risk management systems that need corrective action. The OCC, consistent with Treasury's goal of repairing and reforming the financial system and supporting the recovery of the housing market, has instructed bank examiners to identify and seek corrective action at an earlier stage to address potential problems or weaknesses. The OCC's primary focus is to ensure that CAMELS ratings are an accurate reflection of each institution's current financial position, and thus the OCC would not take action to prematurely restore a favorable CAMELS rating. As national bank or federal savings association performance and asset quality improves and directed corrective actions are implemented, the OCC expects CAMELS ratings to continue to improve.

Percentage of National Banks and Federal Savings Associations that are Considered Well-Capitalized:

The Federal Deposit Insurance Act established a system that classifies insured depository institutions into five categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) based on their capital levels relative to their risks. The OCC has established a target outcome measure that 95 percent of national banks and federal savings associations will meet or exceed the well-capitalized threshold.

The economic environment and resulting increase in problem assets placed a strain on some banks' capital buffers that has resulted in levels below the OCC's target performance measure. The OCC works closely with problem national banks and federal savings associations to develop rehabilitation plans. Such plans typically include directives to improve or restore capital levels. These efforts, combined with a more stable operating environment, have resulted in improvement in this performance goal since FY 2009. As of September 30, 2015, 95 percent of national banks and federal savings associations were classified as well capitalized.

Percentage of National Banks and Federal Savings Associations with Consumer Compliance Rating of 1 or 2:

To ensure fair access to financial services and fair treatment of national bank and federal savings association customers, the OCC evaluates an institution's compliance with consumer laws and regulations. Bank regulatory agencies use the Uniform Financial Institutions Rating System, Interagency Consumer Compliance Rating, to provide a general framework for evaluating significant consumer compliance factors inherent in an institution. Each institution is assigned a consumer compliance rating based on an evaluation of its present compliance with consumer protection and civil rights statutes and regulations, and the adequacy of its operating systems designed to ensure continuing compliance. Ratings are on a scale of 1 through 5 of which 1 is the highest rating granted. The target for FY 2015 and FY 2016 will currently remain unchanged at 94 percent. As of September 30, 2015, national banks and federal savings associations continue to show strong compliance with consumer protection regulations with 96 percent earning a consumer compliance rating of either 1 or 2. Under the Dodd-Frank Act, the OCC has enforcement and supervisory authority for those institutions with total assets of no more than \$10 billion.

Rehabilitated National Banks and Federal Savings Associations as a Percentage of Problem National Banks and Federal Savings Associations One Year Ago:

The OCC's primary goal for problem national banks and federal savings associations can reach a point at which rehabilitation is no longer feasible. The OCC's early identification and intervention with problem financial institutions can lead to a successful rehabilitation. As of September 30, 2015, 39 percent of national banks and federal savings associations with composite CAMELS ratings of 3, 4, or 5 one year ago have improved their ratings to either 1 or 2 this year. This aligns with the target of 40 percent for FY 2015. The OCC continues to focus on the early identification and rehabilitation of problem institutions.

As previously noted, the OCC is taking a number of steps through its Supervise and Regulate programs to make national banks and federal savings associations more resilient to financial stresses and to identify and obtain corrective action at an earlier stage, when problems can be addressed most successfully. These efforts include heightened capital and liquidity standards and increased emphasis on the need for stress testing, designed to provide financial institutions with stronger capital buffers to withstand unforeseen events. These are multi-year efforts that will continue in FY 2015 and beyond.

Total OCC Costs Relative to Every \$100,000 in National Bank and Federal Savings Association Assets Regulated:

Beginning in FY 2006, the OCC implemented a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex federal banking system.

The OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. National bank and federal savings association assets are those reported quarterly by national banks and federal savings associations on the Reports of Condition and Income. Total national bank and federal savings association assets represent the growth and complexity of the financial institutions under the jurisdiction of the OCC. This measure supports the OCC's

strategic goal of efficient use of agency resources. The OCC's ability to control its costs while ensuring the safety and soundness of national banks and federal savings associations benefits all national bank and federal savings association customers. As of September 30, 2015, total OCC cost relative to every \$100,000 in assets regulated was \$9.37 compared to the FY 2015 target of \$10.20. The OCC will continue its efforts to ensure that resources are used prudently and that programs are carried out in a cost effective manner.

3.1.1 – Supervise Budget and Performance Plan

Dollars in Thousands

Supervise Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$618,254	\$684,273	\$924,417	\$873,942	\$889,111	\$873,414	\$993,905	\$1,013,782
Budget Activity Total	\$618,254	\$684,273	\$924,417	\$873,942	\$889,111	\$873,414	\$993,905	\$1,013,782

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Percent of National Banks and Federal Savings Associations with Composite CAMELS Rating 1 or 2	N/A	N/A	76.0	80.0	87.0	91.0	90.0	90.0
Percentage of National Banks and Federal Savings Associations That Are Categorized As Well Capitalized	N/A	N/A	92.0	94.0	93.0	95.0	95.0	95.0
Percentage of National Banks and Federal Savings Associations With Consumer Compliance Rating of 1 or 2	N/A	N/A	93.0	94.0	95.0	96.0	94.0	94.0
Rehabilitated National Banks And Federal Savings Associations As A Percentage Of Problem National Banks One Year Ago (CAMEL 3,4, or 5)	N/A	N/A	27.0	34.0	39.0	39.0	40.0	40.0
Total OCC Costs Relative To Every \$100,000 in Bank And Federal Savings Associations Assets Regulated (\$)	N/A	N/A	10.51	9.99	9.75	9.37	10.20	10.20

Key: DISC - Discontinued

3B – Regulate

(\$117,863,000 from reimbursable resources):

The OCC's Regulate Program specifically supports the following Treasury Objectives:

1.3: Complete implementation of financial regulatory reform initiatives and continue monitoring the markets for threats to stability;

1.4: Facilitate commerce by providing trusted and secure U.S. currency, products, and services for use by the public; and

4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards.

The Regulate Program supports the OCC's strategic goal of a vibrant and diverse system of national banks and federal savings associations that supports a robust U.S. economy.

Specifically, the Regulate Program consists of ongoing activities that result in the establishment of regulations, policies, operating guidance, and interpretations of general applicability to national banks and federal savings associations. These regulations, policies, and interpretations

may establish system-wide standards, define acceptable national banking and federal savings association practices, provide guidance on risks and responsibilities facing national banks and federal savings associations, or prohibit (or restrict) national banking or federal savings association practices deemed to be imprudent or unsafe. They also establish standards for ensuring fair access to financial services and fair treatment of national bank and federal savings association customers. This program includes establishing examination policies and handbooks; interpreting administrative, judicial, and congressional proceedings; and establishing the applicable legal and supervisory framework for new financial services and products.

Description of Performance:

Specific activities undertaken in FY 2015 as part of this program were described earlier and included the issuance of various supervisory guidance on the Volcker rule, heightened enterprise risk management expectations, and third party relationship management. Significant resources also were spent on various Dodd-Frank rulemakings, including those pursuant to section 171(b) regarding minimum risk-based capital requirements; section 941 pertaining to risk retention requirements and associated minimum underwriting standards for asset securitizations; and sections 731 and 764 related to capital requirements and margin requirements on certain swap transactions. In FY 2015, the OCC continued to support operations of the FSOC and issue Dodd-Frank rulemakings.

3.1.2 – Regulate Budget and Performance Plan

Dollars in Thousands

Regulate Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$97,735	\$108,171	\$125,416	\$111,783	\$105,436	\$103,574	\$117,863	\$120,221
Budget Activity Total	\$97,735	\$108,171	\$115,416	\$111,783	\$105,436	\$103,574	\$117,863	\$120,221

3C – Charter

(\$21,532,000 from reimbursable resources):

The OCC's Charter Program specifically supports the following Treasury Objectives:

1.4: Facilitate commerce by providing trusted U.S. currency, products, and services for use by the public;

4.4: Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards.

The Charter Program consists of ongoing activities that result in the chartering of national banks and federal savings associations and the evaluation of the permissibility of structures and activities of national banks and federal savings associations and their subsidiaries. This includes the review and approval of new national bank and federal savings association charters, federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, and subordinated debt issuances. By supporting the entry of new products and institutions into the financial system in a manner consistent with safety and soundness, the Charter Program supports

the OCC's strategic goals of assuring safety and soundness while allowing national banks and federal savings associations to offer a full competitive array of financial services.

Description of Performance:

Percentage of Licensing Applications and Notices Completed within Established Time Frames:

The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks and federal savings associations to complete various corporate transactions and introduce new financial products and services. Delays in providing prompt decisions on applications and notices can deprive a national bank or federal savings association of a competitive or business opportunity, create business uncertainties, or diminish financial results. Time frames have been established for completing each type of application and notice. As of September 30, 2015, the OCC completed 97 percent of national bank and federal savings association applications and notices within the required time frame, above the target of 95 percent. The OCC will continue to meet its Charter Program goals by providing staff training, coordination between charter and supervisory staff on safety and soundness and compliance matters, issuance of updated procedures, and maintaining an emphasis on accessibility and early consultation with national bank and federal savings association organizers and others proposing national bank and federal savings association structure changes.

3.1.3 – Charter Budget and Performance Plan

Dollars in Thousands

Charter Budget Activity								
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$24,434	\$27,043	\$27,338	\$30,486	\$19,262	\$18,922	\$21,532	\$21,963
Budget Activity Total	\$24,434	\$27,043	\$27,338	\$30,486	\$19,262	\$18,922	\$21,532	\$21,963

Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percentage of Licensing Applications and Notices Completed within Established Timeframes	N/A	N/A	98.0	97.0	98.0	97.0	95.0	95.0	95.0

Key: DISC - Discontinued

Section 4 – Supplemental Information

4A – Summary of Capital Investments

The OCC's IT strategic plan aligns information technology initiatives and investments to the OCC's core mission, including the development of new or enhanced applications and services and the disposition of redundant or "end-of-lifecycle" applications, capabilities, and services.

The IT strategic plan is implemented through the budget formulation and the Capital Planning and Investment Control processes. These processes ensure that all IT investments are aligned with the OCC's mission, goals, objectives, and target enterprise architecture before a project is funded. The capital planning process reviews and prioritizes detailed business cases to promote technology reuse, to capitalize on enterprise opportunities, and to reduce redundant and obsolete capabilities and services. Invest, evaluate, and control ensures that the OCC IT strategy has adequate funding and staff resources to address IT investment priorities, and considers risk mitigation strategies for IT investments that are not meeting stated cost, time, and performance goals. Performance metrics are linked to the delivery, alignment, and achievement of the OCC's strategic program objectives. Cost effectiveness for each investment is evaluated through regular benchmarking studies, featuring peer group organizations. Key metrics used to evaluate infrastructure include availability, reliability, utilization, defects, and customer satisfaction.

FY 2016 and 2017 Plans

The OCC has 3 major IT initiatives in FY 2016 and 2017:

Servers Support Services (SSS) - The SSS supports the OCC's server Operations and Maintenance. The infrastructure staff continues to build out additional capacity at the co-location facility to support the server technology refresh, business resiliency, and increases in enterprise storage capacity. In addition, a managed disaster recovery services contract will be initiated to implement a proven, highly reliable, secure, expandable, and cost-effective disaster recovery solution for OCC's critical business systems.

Telecommunications Services and Support (TSS) - TSS includes telecommunications wide area network and local area network infrastructure. Remote access to the OCC systems is facilitated via a virtual private network, dial-in, and cellular wireless access using two-factor authentication. This also includes messaging services supporting highly mobile bank examiners and the OCC staff. In FY 2016, the OCC will continue an on-going effort to upgrade the headquarters and field office phone systems and telecom infrastructure including Local Area Network/Wide Area Network hardware, Video Tele-Conferencing and Voice Over Internet Protocol.

End User Services and Support (EUSS) - The EUSS includes help desk/customer service support, personal computer hardware and software operations and maintenance, asset management, and desktop engineering and image management. New computers and peripherals will be deployed to a portion of the workforce in FY 2016. In FY 2016, the OCC will also refresh hand-held devices.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded

at: <http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>. This website also contains a digital copy of this document.

International Programs

The Department of the Treasury's FY 2017 budget request for International Programs is included in the State, Foreign Operations, and Other Related Programs Appropriation.